



Bosnia and Herzegovina

30 YEARS SINCE DAYTON

The Building of a Captured State

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About the Publication

Thirty years since the signing of the Dayton Peace Agreement have provided Transparency International in Bosnia and Herzegovina (TI BiH) with an opportunity to undertake a critical review of this period in the country's development. For a significant part of this time – nearly three quarters of it – TI BiH has actively participated in national efforts aimed at improving the quality of governance and strengthening anti-corruption, seeking to influence developments through evidence-based advocacy. The decision to undertake this publication also stems from the conviction that these three dynamic and often turbulent decades, although relatively brief in historical terms, provide a wealth of lessons that may prove valuable for the future development of BiH in avoiding past mistakes, as well as for other countries confronting similar challenges.

This publication examines the country's developmental trajectory from the end of the war to the present day, with a focus on the process of state and institution building, as well as subsequent efforts aimed at their consolidation and gradual Europeanisation. These processes are analysed within the broader context of challenges related to establishing good governance and combating corruption. Naturally, a comprehensive and systematic historical overview of this period exceeds the scope and intent of this publication, which instead seeks to highlight key processes, critical turning points and the interplay between corruption and the processes of state and institution building, strengthening and reform. Consequently, the publication adopts a documentary approach combined with critical analyses intended to illuminate the interconnections between key processes and their outcomes.

Acronyms and Abbreviations

APIK	Agency for the Prevention of Corruption and Coordination of the Fight against Corruption
BAM	Bosnia and Herzegovina Convertible Mark
BD	Brčko District of Bosnia and Hercegovina
BiH	Bosnia and Herzegovina
CEC	Central Election Commission
CoM BiH	Council of Ministers of Bosnia and Herzegovina
CPI	Corruption Perception Index
DEI	Directorate for European Integration
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECHR	European Court of Human Rights
EU	European Union
EUPM	European Union Police Mission in Bosnia and Herzegovina
EUSR	European Union Special Representative
FBiH	Federation of Bosnia and Hercegovina
GDP	Gross Domestic Product
GRECO	Council of Europe Group of States against Corruption
HDZ	Croatian Democratic Union
HDZ 1990	Croatian Democratic Union 1990
HJPC	High Judicial and Prosecutorial Council
HSP	Croatian Party of Rights
ICTY	International Criminal Tribunal for the former Yugoslavia
IJC	Independent Judicial Commission
IMC	Independent Media Commission
IPTF	International Police Task Force

MECs	Municipal/City Election Commissions
Mol	Ministry of the Interior
NIRS	Oil Industry of Republika Srpska
OHR	Office of the High Representative
OSCE	Organization for Security and Co-operation in Europe
PARCO	Public Administration Reform Coordinator's Office
PDP	Party of Democratic Progress
PIC	Peace Implementation Council
PPA	Public Procurement Agency
PRB	Procurement Review Body
PSCs	Polling Station Committees
RRTF	Reconstruction and Return Task Force
RS	Republika Srpska
SAA	Stabilisation and Association Agreement
SBiH	Party for Bosnia and Herzegovina
SDA	Party of Democratic Action
SDP	Social Democratic Party
SDS	Serb Democratic Party
SIPA	State Investigation and Protection Agency
TI BiH	Transparency International in Bosnia and Hercegovina
UN	United Nations
USA	United States of America
USD	United States Dollar
VAT	Value-Added Tax

Introductory Remarks

The conclusion of the General Framework Agreement for Peace in Bosnia and Herzegovina¹ – widely known as the Dayton Peace Agreement or the Dayton Accords, and colloquially referred to as Dayton – at Wright-Patterson Air Force Base near Dayton, Ohio, United States, on 21 November 1995, and its official signing in Paris on 14 December 1995, marked not only the end of the war in BiH but also the beginning of a threefold transition: political, economic and post-conflict. The political transition – although the first multi-party elections had taken place shortly before the war, in late 1990 – was effectively halted at its very outset by the outbreak of the war. Similarly, the economic transition was interrupted before it could properly begin. The post-conflict transition, meanwhile, involved not only implementing the provisions of the peace agreement but also addressing the war's aftermath – both the material destruction that demanded reconstruction as well as the profound psychological trauma resulting from war crimes.

Three decades after the Dayton Peace Agreement, BiH continues to be defined as a hybrid regime and a captured state, mired in an ongoing and profound political, constitutional and institutional crisis. This crisis has further intensified in the very year marking the thirtieth anniversary of Dayton, threatening to erode the very foundations of the agreement, whose primary purpose, as its title indicates, was to establish and maintain peace. Although consensus within BiH has always been a scarce commodity, the Dayton Agreement is widely recognised as having achieved its central goal. In contrast, there is hardly any consensus about the success of other intended outcomes – most notably the creation of a functional and self-sustaining state – which were expected to follow, or at least hoped for, in the aftermath of peace. The country remains under direct formal international administration, the scope and depth of which – lacking a coherent long-term vision – depend largely on the fluctuating and *ad hoc* consensus among key international actors. Meanwhile, from Euro-bureaucratic perspective in Brussels, BiH has been granted the green light to commence negotiations on EU

membership – arguably the first instance in EU history where such a process is being initiated with a state that formally and legally remains under international protectorate. In parallel, Republika Srpska (RS) has enacted a series of legal initiatives that directly challenge the core principles of the Dayton Agreement.

Therefore, it is hardly surprising that various academic and think-tank assessments, often highly critical, have described BiH as a failed or quasi-state, capturing the paradoxical nature of its current situation. However, in order to comprehend the outcomes of the political, social and economic processes to date, one must look back to 1995. The thirty-year milestone since the signing of the Dayton Agreement offers a fitting opportunity for such reflection.

1 The General Framework Agreement for Peace in Bosnia and Herzegovina, available at: <https://www.ohr.int/dayton-peace-agreement/?lang=en> (accessed on 15 October 2025)

Summary Overview: 1995–2025

The development of BiH following the signing of the Dayton Peace Agreement in 1995 can be traced through several inter-related phases. **The first phase (1995–1997)** was characterised by the establishment of international administration, the consolidation of peace, the creation of core institutions and the commencement of post-war reconstruction. Coordination among key international stakeholders was crucial during this period, with the EU taking a leading role in convening donor conferences and shaping the economic framework. **The second phase (1997–2005)** constituted a period of intensive institution-building and imposition of legislation. **In 2000**, the EU increasingly began to set benchmarks and conditions through the “Road Map” and the initial Stabilisation and Association instruments, while the Office of the High Representative (OHR) continued to exercise substantial executive powers. **The third phase (2005–2010)** saw a gradual transfer of responsibilities to domestic authorities and closer engagement

with the EU through the initialling and signing of the Stabilisation and Association Agreement. However, this period also witnessed the onset of pronounced political obstructionism and institutional crises that hindered progress along the European path. **The fourth phase (2010–2020)** was defined by reform stagnation and growing political tensions, as the EU sought to strengthen its conditionality mechanisms (the Reform Agenda and the European Commission Opinion of 2019) and reinvigorate the integration process. **The most recent period (2020–2025)** has been marked by the escalation of constitutional and political crises, but also by significant milestones in the EU integration process – driven primarily by geopolitical reasons – culminating in BiH obtaining candidate status in 2022 and receiving the green light to open accession negotiations in 2024. These developments simultaneously place the country between the risk of further disintegration and the prospect of accelerated EU integration.

Establishing International Administration

Unlike Kosovo and East Timor, post-Dayton BiH was not established as a formal protectorate under a United Nations Security Council resolution. Following the signing of the Dayton Peace Agreement in Paris, Security Council Resolution 1031 authorised member states to implement the provisions of the agreement and transferred responsibility from the United Nations Protection Force (UNPROFOR) to the multinational Implementation Force (IFOR). The concluding section of the resolution emphasised that, given the complexity of the situation in BiH, a specific and appropriately tailored international response was required.²

The distinctive nature of the peace implementation process in BiH became evident even before the formal signing of the Dayton Peace Agreement in Paris on 14 December 1995, through the establishment of the Peace Implementation Council (PIC), an institution not explicitly foreseen by the Agreement. At the conference held in London on 8 and 9 December 1995, convened to “mobilise the international community for a new beginning for Bosnia and Herzegovina”, an international *ad hoc* frame-

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- 2 UN Security Council, Resolution 1031 (1995) / adopted at the 3607th Security Council meeting on 15 December 1995, available at: <https://digitallibrary.un.org/record/201088?v=pdf> (accessed on 15 October 2025)
 - 3 The Peace Implementation Council (PIC) comprises 55 countries and agencies that support the peace process in many different ways – by assisting financially, providing troops for EUFOR, or directly running operations in Bosnia and Herzegovina. There is also a fluctuating number of observers. The London Peace Implementation Conference also established the Steering Board of the PIC to work under the chairmanship of the High Representative as the executive arm of the PIC. The Steering Board members are Canada, France, Germany, Italy, Japan, Russia*, United Kingdom, United States, the Presidency of the European Union (replaced by the European Union External Action Service following the entry into force of the Lisbon Treaty), the European Commission and the Organisation of the Islamic Conference (OIC), which is represented by Türkiye. The Steering Board provides the High Representative with political guidance. In Sarajevo, the High Representative chairs biweekly meetings of the Ambassadors to BiH of the Steering Board members. In addition, the Steering Board meets at the level of political directors twice a year.

work for the implementation of the peace accord was effectively created in the form of the PIC and its Steering Board.³ During this conference, crucial decisions were adopted concerning the shaping of post-Dayton BiH, including arrangements for implementing both the military and civilian aspects of the agreement, as well as the decision to hold elections under OSCE leadership within six to nine months following the signing of the peace accord.⁴

The initial plan for international administration, as outlined at the PIC conference in Florence in June 1996, was intended to conclude with the holding of elections in September 1996, which were expected to symbolically represent the “democratic birth of the country”.⁵ However, already in November 1996, at a meeting between the PIC Steering Board and the BiH Presidency, agreement was reached on a two-year set of priorities for the so-called consolidation period. This framework was to be operationalised through annual action plans prepared by the High Representative ahead of the forthcoming PIC conference in London later that year, where this approach was subsequently endorsed.⁶

The intention that the international presence in BiH would effectively conclude within a year of the peace agreement – following the first post-war elections – is also evident from statements made by senior officials of the United States, the principal architect of the Dayton Peace Agreement. In his televised address after the agreement was reached in November 1995, President Bill Clinton, seeking to justify the deployment of military forces, emphasised that the mission had a clear, time-limited and achievable mandate, expected to last approximately one year.⁷ Deputy Secretary of

4 Peace Implementation Council, Conclusions of the Peace Implementation Conference held at Lancaster House, London, on 8 and 9 December 1995, available at: <https://peacemaker.un.org/sites/default/files/document/files/2024/05/ba951209londonconferenceconclusions.pdf> (accessed on 30 September 2025)

5 Peace Implementation Council, Florence Conclusions, Chairman's Conclusions of the Peace Implementation Council Florence on 13/14 June 1996, available at: <https://peacemaker.un.org/sites/default/files/document/files/2024/05/pic20florence20conclusions.pdf> (accessed on 30 September 2025)

6 OHR, Ministerial Meeting of the Steering Board and of the Presidency of Bosnia-Herzegovina Conclusions: Guiding principles of the Civilian consolidation plan Paris, 14 November 1996, available at: <https://www.ohr.int/archive/1995-2000/docs/docu/d961114b.htm> (accessed on 30 September 2025)

State Strobe Talbott unequivocally reaffirmed this position, stressing that the mission would be strictly military in nature and would not evolve into a nation-building endeavour.⁸

A sudden and unexpected shift in United States policy occurred following the U.S. elections in November 1996, when President Bill Clinton, in a somewhat contrite tone, admitted to an error in judgement and announced the need to revise the existing approach because “rebuilding the structure of political and economic life in BiH requires more time than initially anticipated”. Consequently, the mission was extended for a further 18 months, until the end of June 1998.⁹ A year later, in December 1997, President Clinton visited BiH and announced that, instead of setting a fixed deadline for the mission’s conclusion, progress would henceforth be measured against specific benchmarks to be achieved prior to withdrawal. The first of these benchmarks included the establishment of self-governing multi-ethnic institutions, an independent judiciary and the liberation of the media from political influence.¹⁰

To address the complex challenge of state building, the international community established, at the very outset of the process,¹¹ a temporary,

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7 William J. Clinton, “President’s Statement on Bosnian Peacekeeping Mission”, The White House, Washington, DC, 27 November 1997, <http://www.pub.white-house.gov/urires/l2R?urn:pdi://oma.eop.gov.us/1995/11/28/1.text>.

8 Strobe Talbott, “Job Can Be Done in Bosnia and Risks Can Be Managed”. Remarks delivered to the Pittsburgh World Affairs Council, 14 December 1995.

9 William J. Clinton, Remarks by the President, The White House, 15 November 1996, <http://www.pub.whitehouse.gov/uri-res/l2R?urn:pdi://oma.eop.gov.us/1996/11/15/6.text.l>

10 Quoted in James Bennet, “Clinton Calls for Keeping Troops in Bosnia with No New Exit Date”, New York Times, 19 December 1997, p. A1.

11 Francis Fukuyama offers a concise and practical definition of state-building as the process of “the creation of new government institutions and the strengthening of existing ones”. Within the context of post-conflict international intervention, he identifies three distinct phases of this process:

- Post-conflict reconstruction;
- Creation of self-sustaining institutions;
- Capacity-building of the state and its institutions.

Francis Fukuyama: “State Building: Governance and World Order in the 21st Century”, Cornell University Press Ithaca, New York 2004

parallel and *ad hoc* institutional structure under the PIC leadership. Its purpose was to implement the civilian provisions of the peace agreement and to initiate the process of establishing state institutions. At the helm of this international structure stood the Office of the High Representative (OHR), tasked with supervising the civilian aspects of the peace agreement’s implementation – a mandate that has evolved substantially over time. A key turning point in the peace implementation process was the meeting of the PIC in Bonn in December 1997. In further elaborating Annex 10 of the Dayton Peace Agreement, the PIC granted the High Representative additional and extensive powers (the so-called Bonn powers) authorising the removal from office of public officials obstructing the implementation of the peace agreement and, when deemed necessary, the imposition of interim measures in cases where legislative bodies of

PIC Conferences

Key conclusions

**London,
December, 1995**

Establishment of the PIC as an ad hoc framework for the implementation of the peace agreement; Mobilisation of international support

Florence, June 1996

Establishment of peace, preparation for the first post-war elections

**London,
December 1996**

Confirmation of the Consolidation Plan established in Paris in November 1996

**Bonn,
December 1997**

Introduction of the “Bonn powers”, authorising the High Representative to take interim measures where no agreement among the parties exists

**Madrid,
December 1998**

Strengthening of the rule of law and joint institutions, the establishment of the judiciary at the state level

**Brussels,
May 2000**

Endorsement of the Road Map as a step towards the Stabilisation and Association Agreement

» **Table 1.**

List of PIC Conferences and key conference conclusions

BiH failed to act.¹² Over time, since the establishment of the PIC and the mobilisation of support for BiH's reconstruction, successive PIC conferences have dictated the pace and set an increasingly ambitious agenda for the country – one that has progressively prioritised the strengthening of state-level structures of governance.

A number of *ad hoc* international institutions with specific mandates were established to support the post-Dayton process. The Organization for Security and Co-operation in Europe (OSCE) Mission was tasked with setting the rules and overseeing the conduct of elections. The OHR created the Independent Media Commission (IMC), responsible for establishing and enforcing broadcasting regulations. The Commission for Real Property Claims of Displaced Persons and Refugees, established under the Dayton Peace Agreement by the OHR, was mandated to ensure the restitution of property to displaced persons and refugees whose homes or assets had been occupied during the conflict. Additionally, a robust UN-led police mission, the United Nations International Police Task Force (IPTF), was responsible for the direct supervision of police operations and the licensing of police officers.

The situation in the area of human rights was somewhat distinct. The Constitution of BiH – Annex 4, together with Annex 6 of the Dayton Peace Agreement – established a state-level institution for the protection of human rights: the Human Rights Commission, consisting of the Human Rights Ombudsperson and the Human Rights Chamber. Both institutions, created in the early post-Dayton period, were initially headed by representatives of the international community. The main distinction between the two lies in their mandates: while the Chamber functioned as a judicial body issuing final and binding decisions in cases of human rights violations, the Ombudsperson operated as an institution whose decisions carried authoritative weight but were legally non-binding recommendations directed to government bodies at the BiH level.¹³

¹² Peace Implementation Council, Conclusions of the PIC Conference held in Bonn on 9 and 10 December 1997, available at: <https://www.ohr.int/bonn-conference-on-peace-implementation/> (accessed on 30 September 2025)

¹³ General Framework Agreement for Peace in Bosnia and Herzegovina, Annex 6, Article 1, available at: <https://www.ohr.int/dayton-peace-agreement/annex-6/> (accessed on 16 October 2025)

Institution Building

The Dayton Peace Agreement established a minimalist state structure, limited both in terms of competences and institutional composition.¹⁴ At the PIC conference held in Bonn in December 1997, the frustration of key member states with the sluggish progress of domestic actors in achieving consensus on adopting crucial legislation culminated in conclusions granting the High Representative the authority to impose interim measures in situations where the Presidency and/or the Council of Ministers (CoM) failed to reach agreement, as well as to take action against officials obstructing the implementation of the peace agreement. This represented a notably creative legal arrangement, by which an *ad hoc* body not envisaged by the Dayton Peace Agreement conferred upon the High Representative – an institution established under the Agreement – powers that effectively encroached upon the functions of the legislative, executive and judicial branches, thereby creating an office with a concentration of authority unprecedented in modern political history.

The plan for operationalising institution building was outlined at the subsequent PIC conference in Madrid in December 1998. It defined a broad set of priorities that included, among other objectives, the establishment of a state-level judiciary, the enhancement of the functioning of the CoM and the strengthening of existing as well as the creation of new state institutions.¹⁵

¹⁴ The determination of competences between the institutions of BiH and its entities is primarily governed by Article III of the Constitution of BiH. Paragraph 1 of this Article outlines the principal substantive and legal domains that are the responsibility of the state. Therefore, the entities exercise competence solely in areas which, under Article III/1 or any other provision of the Constitution of BiH, are not assigned to the state level.

The following matters are the responsibility of the institutions of Bosnia and Herzegovina: a) Foreign policy; b) Foreign trade policy; c) Customs policy; d) Monetary policy; e) Finances of the institutions and for the international obligations of Bosnia and Herzegovina; f) Immigration, refugee and asylum policy and regulation; g) International and inter-Entity criminal law enforcement, including relations with Interpol; h) Establishment and operation of common and international communications facilities; i) Regulation of inter-Entity transportation; j) Air traffic control.

¹⁵ Peace Implementation Council, PIC Madrid Declaration, Madrid on 15/16 December 1998, available at: <https://www.ohr.int/pic-madrid-declaration/> (accessed on 30 September 2025)

Between 1997 and 2005, the High Representative imposed dozens of pieces of legislation on issues where domestic consensus could not be achieved, establishing new institutions or expanding the mandates of existing ones.¹⁶ Simultaneously, the High Representative effectively exercised direct governance over the country, convening sessions of the Presidency or the CoM, and even appointing replacements for vacant positions within the Presidency.

Through the imposition of laws in this period, the foundations of a prerogative state were laid, including the adoption of state symbols and a single currency, as well as the establishment of freedom of movement for citizens throughout the territory of the country. This period was marked by the fact that the OHR, in cooperation with other international or *ad hoc* institutions, exercised direct operational control over the governance of BiH. The EU's engagement in this phase was primarily confined to the involvement of the European Commission (EC) and certain member states in policy development through the PIC and its Steering Board.

Paradoxically, each successive High Representative increasingly relied on the Bonn powers. Carlos Westendorp (1997–1999) imposed approximately four decisions per month, Wolfgang Petritsch (1999–2002) increased that number to twelve, while Paddy Ashdown (2002–2006) raised it further to fourteen. In 2002 alone, 153 decisions were imposed, meaning that the High Representative was issuing decisions almost every other day. Thus, instead of serving their originally envisaged purpose as an emergency mechanism, the Bonn powers effectively became a governing instrument through which the High Representative directly administered the country.¹⁷

¹⁶ Law on Citizenship of BiH (Official Gazette of BiH, no. 4/97); Law on the Flag of BiH (Official Gazette of BiH, no. 01/98); Law on the Coat of Arms of BiH (Official Gazette of BiH, no. 8/98); Law on the National Anthem of BiH (Official Gazette of BiH, no. 10/99); Law on the State Border Service (Official Gazette of BiH, no. 02/00); Law on the Court of BiH (Official Gazette of BiH, no. 29/00); Law on the Prosecutor's Office of BiH (Official Gazette of BiH, no. 24/02); Law on the Council of Ministers of BiH (Official Gazette of BiH, no. 38/02); Law on Civil Service in the Institutions of BiH (Official Gazette of BiH, no. 12/02); Law on the State Investigation and Protection Agency (Official Gazette of BiH, no. 27/04); Law on Intelligence and Security Agency (Official Gazette of BiH, no. 20/04)

Level of Involvement of the International Community in the Institutional Framework

Legislature

- ▶ Elections were initially organised by the OSCE; currently, three international members sit on the BiH Election Commission (originally appointed by the OHR).
- ▶ All parliamentary candidates were subject to prior vetting, and once elected, any Member of Parliament could be removed by the OHR and replaced by another without the presentation of evidence or the holding of by-elections for that seat.
- ▶ Imposition of legislation by the OHR.
- ▶ Political party financing was overseen by the OHR.

Executive

- ▶ The appointment of ministers, deputy ministers and assistant ministers required the approval of the OHR
- ▶ The OHR retained the authority to dismiss such officials without the obligation to present evidence.
- ▶ The practice of “soft imposition” of laws and decisions by the OHR, whereby the prospect of full imposition of legislation or removal from office compelled compliance and produced “government-led solutions”.
- ▶ The international community oversaw the maintenance of ethnic balance within domestic institutions.

Judiciary

- ▶ The appointment of most positions within the judiciary and prosecution required prior approval from the OHR.
- ▶ Members of the High Judicial and Prosecutorial Council (HJPC) were appointed by the OHR, which also oversaw the broader judicial reform process, including the appointment of judges and prosecutors.
- ▶ The mandate of the International Judicial Council was established by the OHR, which reported to the Senior Deputy High Representative for Rule of Law on all matters concerning its mandate.

Supreme Audit

- ▶ OHR Special Audit;
- ▶ Collaboration was required between the supreme audit

institutions and international organisations operating in the country, including the OHR, OSCE, etc.

Ombudsperson

- ▶ The first BiH Ombudsperson was a foreign national, appointed by the OSCE.
- ▶ Close cooperation with the Reconstruction and Return Task Force (RRTF) of the OHR in the field of property rights.
- ▶ Numerous unresolved cases were referred to the OHR, functioning as the only higher authority.

Civil service

- ▶ The OHR imposed the Civil Service Law and appointed the Head of the Civil Service Agency.
- ▶ The OHR continued to monitor the process and oversee further appointments.

Media

- ▶ Many media outlets were financed by international agencies, to which they were consequently accountable and loyal.
- ▶ The members of the Communications Regulatory Agency (CRA) were initially appointed by the OHR, including three foreign nationals.
- ▶ The OHR maintained close relations with selected journalists and media outlets that reported favourably on its activities.

International community

- ▶ No mechanism exists for the election or appointment of representatives of the international community.
- ▶ The OHR is accountable exclusively to the PIC Steering Board.
- ▶ Most senior diplomats and international staff possess dual accountability, reporting simultaneously to their respective national governments.
- ▶ Errors are rarely acknowledged, and responsibility for actions is generally not assumed.

» **Table 2.**

National Integrity System from the Perspective of International Community Involvement

» **Source:** National Integrity System Study, TI BiH, 2004

As shown in the table above, drawn from the 2004 TI BiH National Integrity System Study, the international community's authority during this period was effectively absolute and unbounded. Yet, as with any concentration of unchecked power, its arbitrary use proved difficult to avoid, giving rise to cases of misuse.

In their seminal 2003 paper, Knaus and Martins provide numerous striking examples of how international governance, exercised through the Office of the High Representative, effectively ruled the country. They liken this form of administration to the colonial governance once exercised by Great Britain in India.¹⁸

17 Gerald Knaus and Felix Martin. "Lessons from Bosnia and Herzegovina: Travails of the European Raj". *Journal of Democracy*, vol. 14 no. 3, 2003, p. 60-74. *Project MUSE*, available at: <https://dx.doi.org/10.1353/jod.2003.0053> (accessed on 30 September 2025)

18 Gerald Knaus and Felix Martin. "Lessons from Bosnia and Herzegovina: Travails of the European Raj". *Journal of Democracy*, vol. 14 no. 3, 2003, p. 60-74. *Project MUSE*, available at: <https://www.journalof-democracy.org/articles/lessons-from-bosnia-and-herzegovina-travails-of-the-european-raj/> (accessed on 30 September 2025)

Socio-Political Situation

Of the pre-war population of 4.3 million in BiH, more than half (around 2.2 million people) were displaced as a consequence of the war. Approximately one million sought refuge abroad, while another million were internally displaced.¹⁹ The return of refugees and internally displaced persons was therefore identified by international actors as a crucial process for achieving the reintegration of the country. However, the ruling ethno-political parties from all three constituent groups systematically impeded the process, whether by imposing bureaucratic hurdles, failing to guarantee the safety of returnees or, in some cases, even instigating violence against them. Prioritising the return of refugees and displaced persons also necessitates securing the restitution of property, which led to the creation of specific *ad hoc* bodies entrusted with this mandate. The Commission for Real Property Claims of Displaced Persons and Refugees, established pursuant to the Dayton Peace Agreement by the OHR, was tasked with ensuring the return of property to displaced persons and refugees in their pre-war places of residence, as most of this property had been unlawfully taken. The Reconstruction and Return Task Force (RRTF), created under the auspices of the High Representative in 1997, sought to coordinate international efforts in facilitating refugee return while also serving as a mechanism to apply political pressure against obstruction by local authorities.

Although interconnected and mutually conditional, these two processes – the return of refugees and displaced persons, and the restitution of property – produced different outcomes. While the property restitution process was nearly completed by the end of 2003,²⁰ the large-scale return of refugees began only in 2001, and by the end of 2004, slightly more than one million people had returned. Of these, around 60% were internally displaced persons, with about a quarter returning to RS.²¹ The reasons be-

¹⁹ Ministry for Human Rights and Refugees of BiH, Revised Strategy of Bosnia and Herzegovina for the Implementation of Annex VII of the Dayton Peace Agreement, Sarajevo 2008, available at: <https://www.mhrr.gov.ba/PDF/Izbjeglice/Revidirana%20strategija.pdf> (accessed on 30 September 2025)

²⁰ OHR/OSCE/UNHCR/CRP, RS and FBiH reach same ratio of PLIP at end August. 1 October 2003, available at: <https://www.ohr.int/rs-and-fbih-reach-same-ratio-of-plip-at-end-august/> (accessed on 30 September 2025)

hind these differing outcomes lie in the fact that, despite certain obstructions, property restitution remained a largely technical process managed by a strong international administration. In contrast, the decision to return to pre-war homes involved facing the psychosocial consequences of re-traumatisation, insecurity, encounters with war criminals, ethnic discrimination and limited economic prospects.²²

Another significant process that shaped the post-conflict period was cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). For a considerable time after the war – indeed, for over a decade – this cooperation was marked by obstruction or a complete non-compliance. This had adverse implications for the overall situation in the country, particularly regarding the return of refugees and displaced persons. The issue of cooperation with the ICTY was especially evident in relation to RS, where the lack of cooperation was justified through a prevailing narrative of the Tribunal's partiality and injustice, which in turn shaped the political stance of RS parties. International military forces frequently participated in operations to arrest individuals accused of war crimes, which further fuelled resentment among the authorities and heightened political tensions.²³

The hegemony of nationalist ideologies left virtually no space for alternative perspectives or opposition political parties. Pervasive nationalist narratives thoroughly contaminated the political and social landscape. Within this context, achieving compromise was invariably a Sisyphean endeavour, further complicating the already intricate project of post-conflict reconstruction and peacebuilding.

²¹ UNHCR, One Millionth Returnee Goes Home in Bosnia and Herzegovina. Press Release, Geneva: UNHCR. 21 September 2004, available at: <https://www.unhcr.org/news/news-releases/one-millionth-returnee-goes-home-bosnia-and-herzegovina> (accessed on 30 September 2025)

²² Refugee Return – Success Story or Bad Dream? A Review from Eastern Bosnia, Monika Kleck in: Martina Fischer (ed.) 2006. *Peacebuilding and Civil Society in Bosnia-Herzegovina. Ten Years after Dayton*. Münster: Lit-Verlag, 107-122.

²³ International Crisis Group, War Criminals in Bosnia's Republika Srpska, REPORT 103 / EUROPE & CENTRAL ASIA, 02 November 2000, available at: <https://www.crisisgroup.org/europe-central-asia/bosnia-and-herzegovina/103-war-criminals-bosnias-republika-srpska> (accessed on 30 September 2025)

In the immediate aftermath of the conflict, the media landscape in the country was effectively under the control of the ruling political structures and served primarily as a vehicle for propaganda. Overall, freedom of speech was severely undermined due to weak protection mechanisms. Hate speech and the absence of professional ethics became defining features of the media environment. The few independent media outlets, most of which were financed by international donors, faced numerous challenges, including physical attacks.²⁴

The World Bank's first in-depth poverty assessment, carried out in 2003, produced alarming findings. It showed that 72% of BiH's adult population was poor in at least one of the measured dimensions – consumption, education, housing, health or employment. Approximately 27% of citizens were considered educationally poor, having not completed primary education; health-related poverty affected 16% of the population (physical incapacity due to illness or disability); 11% lived below the housing poverty line, occupying damaged and/or unsanitary dwellings; and about 29% were deprived of property and other legal rights.²⁵ Despite the gravity of these indicators, such issues rarely, if ever, featured in the political discourse, which continued to be dominated by ethnically-driven narratives.

A highly illustrative survey conducted in 1996 examined the views of different ethnic groups regarding the consequences of the war and the future of the state.²⁶ The findings showed that 86% of Bosniak respondents supported the idea of BiH as a unitary state, whereas 71% of Serb respondents held that RS should be part of Serbia and 69% of Croat respondents favoured Herceg-Bosna becoming part of Croatia. This same divisive pat-

²⁴ International Crisis Group, *Media in Bosnia and Herzegovina*, REPORT 21 / EUROPE & CENTRAL ASIA, 18 March 1997, available at: <https://www.crisisgroup.org/europe-central-asia/bosnia-and-herzegovina/021-media-bosnia-and-herzegovina> (accessed on 30 September 2025)

²⁵ World Bank, *Bosnia and Herzegovina – Poverty assessment (Vol. 1 of 2) : Main report (English)*. Washington, DC, 2003, available at: <https://documents1.worldbank.org/curated/en/511721468769462746/pdf/25343.pdf> (accessed on 30 September 2025)

²⁶ Kjell Magnusson, *What kind of state?: Views of Bosniaks, Croats, and Serbs on the character of Bosnia and Herzegovina*, Centre for Evaluation in Education and Science (CEON/CEES), available at: <https://doi.org/10.5937/SOCGOD1207037M> (accessed on 30 September 2025)

tern extended to perceptions of the causes and consequences of the war, with each ethnic group predominantly viewing itself as the victim and attributing responsibility for the suffering to others.

Within such a context, dominated by extreme and radical ethno-political elites, the international community did not hesitate to employ the OHR’s powers to remove obstructionist actors or to engage in deliberate political and electoral engineering aimed at advancing more moderate, compromise-oriented forces. The first and most consequential instance of such intervention was the instalment of the then pro-Western and moderate politician Milorad Dodik, who at the time had minimal electoral support. In what amounted to a mockery of democratic procedure, the Bonn powers were invoked to remove the legitimately elected President of RS, while the international military force SFOR was deployed to facilitate Dodik’s installation.

This strategy failed to contribute to the development or consolidation of democracy. The evolution of political affiliations, reflected in patterns of

Election results:

18 November 1990

SDA	30.4%
HDZ	15.5%
SDS	25.2%
SDP & others	28.9%

Election results:

11 November 2000

SDA and SBiH	32%
HDZ	12%
SDS	15%
SDP	22%
PDP	5%
others	14%

» **Table 2.**

Support for ethno-national political parties in the 1990 and 2000 elections

support for political parties, is evident from the table below: even a decade after the first multi-party elections, the same ethno-national parties continued to enjoy entrenched voter backing.²⁷

Such data in fact supports the view that, in post-conflict and power-sharing systems such as that of BiH, the relationship between the outcomes of political party policies and electoral support is highly complex. It also lends weight to the conclusion that political accountability mechanisms, or even the most basic aspects of democratic culture, are almost entirely absent. It is particularly important to note that since the onset of the democratic process in BiH, no peaceful and democratic transfer of power has taken place without, to a greater or lesser extent, being the product of international intervention.

²⁷ European Stability Initiative, *Reshaping International Priorities In Bosnia And Herzegovina – Part III The End Of The Nationalist Regimes And The Future Of The Bosnian State*, 2001, available at: <https://www.esiweb.org/publications/reshaping-international-priorities-bosnia-and-herzegovina-part-iii-end-nationalist> (accessed on 30 September 2025)

Reconstruction and Economic Recovery

The economic situation in the aftermath of the war was catastrophic. More than 80% of the population was at least partially reliant on humanitarian aid, while unemployment and poverty levels exceeded 50%. Industrial output declined to just 5% of its pre-war volume, and electricity production to 10%. At the same time, GDP per capita dropped from approximately USD 2,000 before the war to around USD 500. During the conflict, two-thirds of housing stock was damaged and one-fifth completely destroyed, while around 40% of hospitals and 70% of schools were left in ruins.²⁸

This dire situation called for urgent and coordinated action by key international donors. Shortly after the signing of the Dayton Agreement in Paris, the first donors' conference was convened under the leadership of the World Bank and the European Commission in Brussels in December 1995. The conference presented a four-year, multi-sector priority reconstruction and recovery programme for the country, valued at USD 5.1 billion (of which USD 3.7 billion for FBiH and USD 1.4 billion for RS, based on estimated population ratios). The first conference secured USD 600 million to address essential priorities in the first quarter of 1996, while the target for the second donors' conference was to raise a total of USD 1.8 billion. The programme encompassed four key sectors: employment generation and production recovery; infrastructure reconstruction; institutional capacity building at all levels of government; and support for social sectors, including wage financing. Between 1996 and 2003, the World Bank's International Development Association alone disbursed USD 983 million – the largest amount ever allocated for post-conflict reconstruction – while contributions from the United States and the European Union individually exceeded this figure.²⁹

²⁸ OHR, 1st Report of the High Representative for Implementation of the Bosnian Peace Agreement to the Secretary-General of the United Nations, 14 March 1996; available at: <https://www.ohr.int/1st-report-of-the-high-representative-for-implementation-of-the-bosnian-peace-agreement-to-the-secretary-general-of-the-united-nations/> (accessed on 30 September 2025); World Bank, Bosnia and Herzegovina Post-Conflict Reconstruction and the Transition to a Market Economy – An OED Evaluation of World Bank Support, 2004; available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/393ee16f-9a63-5465-87d4-3d2d35c9b5fd/content> (accessed on 30 September 2025)

GDP and GDP per capita³⁰

	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP Growth Rate %	32.4	61.9	30.0	15.8	9.6	5.5	4.4	5.5	3.5
% GDP compared to 1990 GDP	0.22	0.36	0.47	0.55	0.60	0.64	0.66	0.70	0.72
GDP per capita \$	546	981	1298	1445	1551	1595	1632	1671	

» **Table 4.**

GDP performance in the immediate post-war period

The data indicate that in the first few years after the war, the GDP and GDP per capita growth rates were exceptionally high, which was an expected outcome of post-conflict reconstruction incentives considering the extremely low baseline values. However, following the immediate post-war period, GDP growth rate declined sharply and entered a generally negative trend. From 2000, the rate stabilised at just under 6%, holding at that level until 2009, when GDP once again contracted or increased only marginally. This trend is also mirrored in trade data, which have displayed a generally downward trajectory since the late 1990s. During the late 1990s, when the economy experienced rapid expansion, trade volumes grew correspondingly. During the relatively stable mid-2000s, another increase in trade was observed, primarily reflecting progress in the domestic market in parallel with stabilised GDP growth. Nonetheless, the downward trajectory began even before the global financial crisis, and

²⁹ World Bank, European Commission and European Bank for Reconstruction and Development, Priority Reconstruction and Recovery Program Discussion paper for the Second donor conference, 1996, available at: <https://documents1.worldbank.org/curated/en/998241468743939643/pdf/multi0page.pdf> (accessed on 30 September 2025)

³⁰ World Bank, Bosnia and Herzegovina Post-Conflict Reconstruction and the Transition to a Market Economy, An OED Evaluation of World Bank Support, available at: <https://documents1.worldbank.org/curated/en/415151468742482736/pdf/302270PAPER0Biflict0reconstruction.pdf> (accessed on 30 September 2025)

the BiH economy has not managed to recover since.

Between 1995 and 2000, BiH received investments amounting to an estimated USD 22–24 billion from various international sources, distributed as follows:

USD 7–8 billion for humanitarian aid within the country;

- USD 10–12 billion for economic recovery and reconstruction, including
- USD 5.1 billion from the priority reconstruction programme coordinated by the World Bank;
- USD 5–6 billion for other forms of assistance (democratisation, civil society development, media support, local communities).³¹

Already at the first donor conferences held in 1995 and 1996, the key international institutions leading the process (the World Bank, the European Commission and the European Bank for Reconstruction and Development) declared the neoliberal paradigm as the foundation for BiH's economic development. Under this model, the role of the state was to be confined to ensuring fair market competition and maintaining essential public services, while economic growth was to be driven by economic liberalisation, privatisation and the promotion of small and medium-sized enterprises.³² However, a number of authors have since questioned the appropriateness of applying such a radical neoliberal approach during post-conflict economic recovery, likening it to “rubbing salt into war wounds”.³³

Before the war, BiH's economy was heavily industrialised, with approximately half of national production and employment generated by ten large industrial conglomerates, which collectively accounted for more than half of the country's GDP. The devastation of these systems during

31 International Support Policies to South-East European Countries: lessons (not) learned in Bosnia-Herzegovina, FOD/Muller Sarajevo 2001

32 Wei Ding; Sherif, Khaled F. Bosnia and Herzegovina – From recovery to sustainable growth (English). A World Bank country study Washington, D.C.: The World Bank, available at: <http://documents.worldbank.org/curated/en/682101468769460337> (accessed on 30 September 2025)

33 Michael Pugh, “Rubbing Salt into War Wounds: Shadow Economies and Peacebuilding in Bosnia and Kosovo”. *Problems of Post-Communism*, 2004, 51 (3): 53–60

the conflict made the transition to a market-based economy exceptionally difficult. Following an initial phase of GDP growth driven by massive inflows of international donor assistance, economic recovery began to decelerate in the early 2000s.

Although the first privatisation laws in the entities were enacted in 1997, the comprehensive legal basis for initiating the privatisation of state-owned assets was established only in 1998 through the Framework Law on the Privatisation of Enterprises and Banks at the state level of BiH, imposed by the OHR. This law introduced the principle that property located within the territory of one entity should be privatised in accordance with the laws applicable in that entity, while the entities were required to harmonise their respective laws governing privatisation. In FBiH, the privatisation process was implemented not only at the entity level but also at the cantonal level. In practice, this meant that thirteen separate privatisation processes were conducted simultaneously across the country, including in the Brčko District. In the absence of basic institutional and regulatory conditions and the rule of law, these processes had very limited prospects of success, instead serving largely to enable the concentration of capital in the hands of local wartime and political power brokers.

The privatisation model relied on the issuance of certificates and vouchers to citizens of FBiH and RS, which could be exchanged for shares in companies made available for privatisation, either voluntarily or through investment funds. Individuals – particularly war veterans – were placed in a privileged position, receiving additional certificates or vouchers. This arrangement gave domestic actors an advantage over potential foreign investors and compared to other transition economies. One of the main problems, however, was that only a portion of state-owned capital was offered for privatisation, either through voucher investment schemes or direct sales, while a significant share remained under state ownership, often without a clear intention of being publicly offered for sale in the foreseeable future.

Amid unregulated securities registers, an underdeveloped capital market and a general lack of knowledge among the population regarding market mechanisms and securities trading, widespread brokerage and trading of vouchers and certificates took place outside the authorised institutions and at prices far below their estimated market value. Nonetheless, this

was merely one of the numerous forms of property transformation accompanying privatisation, and similar occurrences were common across other transition economies.

The legislative frameworks in both entities permitted governments to selectively exempt specific enterprises from the general provisions of the privatisation law and conduct their privatisation under separate regulations. Such exemptions typically applied to enterprises referred to as strategically important, which either evolved into profitable monopolistic utilities, such as telecommunications operators, or served as 'cash cows', like breweries and hotels, while others were large industrial firms that had lost their markets, rendering most of their employees effectively unemployed.

In the case of the latter, the executive branch, fearing social unrest and consequently electoral defeat, delegated decisions on liquidation to costly foreign consultants, thereby transferring responsibility to external institutions and effectively absolving itself of accountability. The privatisation matrix for profitable enterprises generally followed a familiar scenario: after prolonged delays and continuous extraction of various benefits through politically appointed management boards and directors, the time for sale would eventually arrive. International tenders, public sales and similar procedures often served as mere façades for pre-negotiated arrangements, with kickbacks, managerial restructuring terms (such as retaining select staff temporarily), various transfers to private accounts and post-privatisation operations all agreed upon in advance.³⁴

There is no doubt that, two years after the war, there was neither institutional nor professional capacity to conduct the process with even minimal adherence to the law. Within the first ten years, just under two-thirds of state capital in RS was privatised, while in FBiH the proportion stood at around 52% of the planned total. On the whole, privatisation outcomes fell far short of expectations. Negotiated deals, opaque procedures and widespread breaches of contractual provisions left many privatisation cases burdened with outstanding obligations to the state and employees – effectively shifting losses onto the state and unprotected workers, while a handful of privileged individuals amassed enormous wealth in clear violation of the law.³⁵

Corruption as an (In)Visible Challenge

The link between armed conflict and corruption is, on a general analytical level, almost self-evident. The symbiotic relationship between these two phenomena has been extensively explored in academic literature.³⁶ As a result, the legacy of what was essentially a criminalised armed conflict has left a deep imprint on the post-conflict context.³⁷

The concept of 'new wars', theorised among others by Mary Kaldor, was partly developed based on the experience of the war in BiH. One of the defining features of such wars lies in the financing and organisation of conflict through alternative modalities – not necessarily or solely confined to formal state structures – in which organised crime plays a prominent role.³⁸ During the war, a symbiosis emerged between the political leaderships of the warring sides and organised criminal structures, as the legal procurement of essential resources was virtually impossible due to the international arms embargo, sanctions and the territorial discontinuity of areas under their control.

The emergence of new elites and the initial accumulation of capital are inherent features of transition processes and countries without a recent history of conflict. However, what fundamentally distinguishes BiH from other transition states is that the assets accumulated through illicit war-time activities enabled war profiteers to secure elite status in the post-war era, transforming their illicit wealth into enduring political power.

³⁴ Transparency International BiH: Privatizacija državnog kapitala u BiH, 2009, available at: https://ti-bih.org/wp-content/uploads/2011/03/PRIVATIZACIJA_DRZAVNOG_KAPITALA_U_BiH.pdf (accessed on 30 September 2025)

³⁵ Ibid.

³⁶ Jens Christopher Andvig, "Corruption and Armed Conflicts: Some Stirring Around in the Governance Soup", *Economic Discussion Paper* 2008-3, 6 February 2008. <http://www.economics-ejournal.org/economics/discussionpapers/2008-3/file>; Christine Cheng and Dominik Zaum (eds), *Corruption and Post-Conflict Peacebuilding: Selling the Peace?*. London: Routledge 2011, pp. 8-15.

³⁷ Michael Pugh, Postwar Political Economy in Bosnia and Herzegovina: The Spoils of Peace. 2002, *Global Governance* 8:467-482

³⁸ Mary Kaldor *New and Old Wars: Organized Violence in a Global Era*. Stanford, 1999, CA: Stanford University Press

The enormous and rapid influx of international aid created new and vast opportunities for corruption to thrive. With the onset of post-conflict reconstruction and the first inflows of international assistance, reports soon emerged exposing the pervasiveness of corrupt practices – from blatant racketeering in aid distribution and arbitrary taxation imposed on aid by various levels of government,³⁹ to outright misappropriation and the extortion of funds from international agencies through imposed conditionalities designed to obstruct aid delivery.⁴⁰

By July 1997, allegations of large-scale fraud and corruption had become so widespread that the British Foreign Secretary, Robin Cook, travelled to Sarajevo to discuss these and other issues with the Presidency of BiH. Prior to his arrival, reports circulated in the capital that as much as USD 150 million in World Bank assistance had gone missing. During meetings with the tripartite Presidency, Cook insisted that systemic corruption must cease and criticised the authorities' failure to disclose accurate data on the use of international aid over the previous two years, pointedly remarking: "You must understand that neither our patience nor our resources are unlimited".⁴¹

At its Bonn Conference in December 1997, the PIC expressed grave concern regarding corruption risks and the potential diversion of funds for unauthorised use, as noted in the findings of the European Commission's Customs and Fiscal Assistance Office (EC CAFAO). It also highlighted the lack of transparency and accountability in public finance, identified in the World Bank's Public Expenditure Review, and endorsed the High Representative's initiatives aimed at determining accountability. In support of these efforts, the PIC approved the establishment of an Anti-Fraud Unit to assist the BiH authorities in uncovering illegal activities and coordinating international technical support. This Unit was set up within the OHR's Economic Department in April 1998.⁴²

³⁹ Tom Hundley, "As Aid Flows, Bosnians Divert Goods, 'Tax' Allies Army, Take Food Meant for Refugees", *Chicago Tribune*, 2 February 1996, p. 3.

⁴⁰ Jon Swain, "Bosnia Aid Millions Go Missing", *Sunday Times* (London), 27 July 1997

⁴¹ Quoted in Michael Binyon, "Cook Warns Bosnia Aid May Be Cut Off", *Times* (London), 30 July 1997, p. 11.

In March 1998, a delegation of BiH Parliament members informed international officials and auditors that “nearly USD 600 million in aid given by the United States, the European Union and the United Nations had been embezzled since the Dayton Agreement was signed”. They added that much of the fraud had been conducted with the foreknowledge and cooperation of ministers and senior government officials in BiH and reported that “tens of millions” intended for industrial reconstruction had gone into the pockets of government officials, mafia bosses and criminals.⁴³

At its Madrid Conference in 1998, the PIC reaffirmed the international community’s concern over corruption and emphasised the need for a comprehensive strategy to combat it. In line with these conclusions, the High Representative developed a comprehensive anti-corruption strategy. This Strategy provided the framework for identifying, designing and implementing reforms to government structures and procedures, with the aim of reducing corrupt practices and enhancing public awareness.

Under the Strategy, the High Representative assumed a leading role in coordinating international efforts to eliminate opportunities for corruption, tax evasion and the misuse of public funds; to ensure transparency across all phases of government activity; to strengthen the legal system and judiciary; and to implement control mechanisms with appropriate sanctions to ensure compliance.⁴⁴ The Strategy was structured around four key pillars: 1) education and public awareness; 2) elimination of opportunities; 3) transparency and reporting; and 4) control and penalties.

However, corruption continued to be recognised as a deeply entrenched problem with devastating consequences for both the state and society. An article published in the prestigious New York Times in 1999, which provoked strong reactions from domestic officials, alleged systemic corrup-

⁴² Peace Implementation Council, PIC Bonn 1997 Conclusions Bosnia and Herzegovina: Self-sustaining Structures, available at: <https://www.ohr.int/pic-bonn-conclusions/?print=pdf> (accessed on 30 September 2025)

⁴³ Quoted in Michael Binyon, “Pounds 360m of Bosnian Aid ‘Stolen by Fraudsters’”, Times (London), 6 March 1998, p. 17.

⁴⁴ Peace Implementation Council, PIC Madrid Declaration, Madrid on 15/16 December 1998, available at: <https://www.ohr.int/pic-madrid-declaration/> (accessed on 30 September 2025)

tion in BiH, claiming that the damage caused by corruption exceeded one billion dollars.⁴⁵ These claims were later officially confirmed by representatives of the OHR.⁴⁶

In January 2000, the UN Special Representative in BiH appeared before the Committee on Legal Affairs and Human Rights of the Council of Europe, stating that “wartime underground networks have turned into political criminal networks involved in massive smuggling, banditry, tax evasion, human trafficking and the illicit trade in various goods. Politicians often play the national card to conceal their true intentions”.⁴⁷

The magnitude of the corruption problem is further underscored by the recognition that even the international community was not immune to the corruption plague – a phrase used in the title of a 2001 Transparency International BiH report, which emphasised the responsibility of international actors for the pervasive corruption.⁴⁸

⁴⁵ Chris Hedges, “Leaders in Bosnia Are Said to Steal up to \$1 Billion”, *New York Times*, 17 August 1999

⁴⁶ Julian Borger, “\$1bn in aid to Bosnia is missing”, *The Guardian*, 18 August 1999

⁴⁷ US Government Accounting Office: *BOSNIA PEACE OPERATION Crime and Corruption Threaten Successful Implementation of the Dayton Peace Agreement*, 2000, available at: <https://www.govinfo.gov/content/pkg/GAOREPORTS-T-NSIAD-00-219/pdf/GAOREPORTS-T-NSIAD-00-219.pdf> (accessed on 30 September 2025)

⁴⁸ Transparency International, *The International Community Is Not Immune To The Corruption Plague* Either, available at: <https://ti-bih.org/wp-content/uploads/Documents/izvjestaji/e/Corruption%20in%20IC.%20report.pdf> (accessed on 30 September 2025)

Anti-Corruption Efforts

Throughout the entire post-war period, domestic political elites have demonstrated a persistent lack of political will to tackle corruption. Local actors' responses to the international community's anti-corruption initiatives have oscillated between open opposition and, at best, a pretence of reform.

The international approach to establishing anti-corruption mechanisms – much like the broader state-building process – has evolved from the operational management of anti-corruption activities by international actors, such as specialised departments within the OHR, to the imposition of legislation and, ultimately, the use of conditionality to influence its adoption and implementation in later phases of reform. As a result, numerous laws were enacted without meaningful parliamentary debate, with domestic authorities often agreeing to them only under the threat of sanctions or the suspension of international assistance. While this facilitated a rapid alignment with international standards, albeit only initially and partially, it simultaneously cultivated a perception of “imported laws” that domestic elites neither owned nor supported, as they often ran counter to their vested interests. As a result, implementation remained limited and inconsistent.

As noted earlier, the first strategic effort to understand and tackle corruption in BiH was embodied in the OHR's 1999 Anti-Corruption Strategy. This strategy was structured around four pillars: education and public awareness (campaigns, media); elimination of opportunities for corruption (reforms in revenue collection, the judiciary, privatisation); transparency and reporting (access-to-information laws); and control and penalties (investigative mechanisms and judicial reforms). The strategy also included sectoral action plans (e.g. customs, taxation, border control) with designated responsibilities and timeframes.

However, the document had limited reach and produced few tangible results.⁴⁹ It should be emphasised that both its development and implementation were entirely managed by international stakeholders.

The international community's approach to combating corruption at the time relied heavily on *ad hoc* measures and was largely defined by the

High Representative's arbitrary actions, most notably the dismissal of officials suspected of corruption. One prominent example occurred in 2000, when the OHR imposed measures to remove corrupt and partial judges and prosecutors, aiming to restore public trust in the judicial system. Under these measures, all judicial appointments were to undergo an internationally supervised review, applying rigorous procedures for the dismissal of those found to be corrupt or biased. To manage this process, a new international body – the Independent Judicial Commission (IJC) – was created, employing 64 staff by 2002 and operating on a monthly budget exceeding USD 200,000.

By 2002, however, it had become evident that this approach – which relied largely on complaints from citizens and users of the court system – was failing to yield satisfactory results. That year, out of a total of 572 complaints submitted in FBiH, only 70 resulted in formal investigations. In RS, during the first eighteen months of the reform process, only a handful of complaints were recorded. In the whole country, merely six judges and prosecutors were dismissed. As a result, acting upon the IJC's recommendation, the OHR decided to abandon the complaints-and-investigations model (which, as the IJC itself observed, “requires that a certain amount of proof be produced to support a finding that a judge/prosecutor is not fit to hold office”). Instead, the OHR decreed that all judges and prosecutors were required to resign and reapply for their positions. This effectively placed the burden of proof on each individual candidate, without exception, including those judges who had been assured life tenure following an earlier comprehensive review in 2000.⁵⁰

The CoE strongly opposed this decision, emphasising in an internal document that it was unacceptable “to remove from office judges already enjoying life tenure although no professional misconduct of the individual judge can be established”. It further noted that, where evidence existed, corrupt or biased judges could already be removed through disciplinary

⁴⁹ Transparency International BiH, National Integrity System Study, 2007, available at: https://ti-bih.org/wp-content/uploads/Documents/20-02-2007/National_Integrity_System_Study_2007.pdf (accessed on 30 September 2025)

⁵⁰ Independent Judicial Commission, “An Alternative Strategy to Verify the Competency of the Judiciary: A Re-appointment Process”, 18 December 2001

procedures established under legislation imposed by the OHR. The CoE also warned against using a reappointment process as “disguised disciplinary proceedings without any of the guarantees associated with such proceedings”.

It was concluded that “problems have to be resolved in a constitutional and legal manner, respecting the very principles justifying the presence of the international community in BiH. If the international community is not willing to abide by its own principles when faced by major difficulties, what can we expect from local politicians?”⁵¹ The OHR, however, disregarded such objections. Domestic ministries of justice were excluded from the strategy’s design, and the OHR’s deliberations were never made public.

In an even more serious departure from the procedures established in 2000, the Bonn powers were used to summarily suspend ten judges, one deputy minister of justice and one prosecutor on 23 May 2002. The act sent a clear message of intimidation: when the OHR started to implement its new reappointment scheme, virtually no judge, prosecutor or justice minister dared to oppose it publicly.

Thus, after minimal consultation with local stakeholders and with a highly uncertain prospect of success, the most ambitious and radical judicial reform to date was launched. The Bonn powers became the key instruments of this process, and their broad use was justified on vague and general grounds, and hardly at all restrained by basic principles of individual responsibility and due process. All this, moreover, was done in the name of “strengthening the rule of law”.⁵²

Among the first anti-corruption laws adopted were the Laws on Public Sector Audit at the state and entity levels, introduced as part of the OHR’s

⁵¹ Council of Europe, “Comments on the ‘Discussion Paper on the Selection Process for the Interim High Judicial Council’”. These comments were produced as a follow-up to a closed meeting between the Council of Europe, OHR and the IJC in Strasbourg on 22 March 2002.

⁵² Gerald Knaus and Felix Martin. “Lessons from Bosnia and Herzegovina: Travails of the European Raj”. *Journal of Democracy*, vol. 14 no. 3, 2003, p. 60-74. Project MUSE, <https://dx.doi.org/10.1353/jod.2003.0053>

Anti-Corruption Strategy under the auspices of the World Bank, with the aim of establishing oversight of public finances.⁵³ At the BiH level, the Law on the Audit of Financial Operations of BiH Institutions was enacted in 1999,⁵⁴ leading to the creation of the Office for the Audit of the Institutions of BiH, which was later further strengthened through legislative amendments. In the same year, RS adopted its Law on Public Sector Audit, establishing the Main Audit Service.⁵⁵ In FBiH, the corresponding law was adopted in 2004.⁵⁶ All three pieces of legislation were subsequently amended to align with INTOSAI standards.

Another crucial area in the anti-corruption framework was election administration, overseen by the OSCE Mission to BiH, which played a leading role in organising and overseeing the first post-war elections. Between 1996 and 2001, the electoral process was managed by the Provisional Election Commission, an international authority jointly controlled by the OSCE and the OHR, responsible, among other things, for monitoring political party and campaign financing.⁵⁷ This arrangement left domestic institutions without the capacity or authority to conduct elections that were fair and transparent.

53 World Bank, Bosnia and Herzegovina Country Assistance Evaluation, 16 August 2004, Report no. 29824 Operations Evaluation Department, available at: <https://documents1.worldbank.org/curated/en/817831468767992416/pdf/Bosnia-and-Herzegovina-Country-assistance-evaluation.pdf> (accessed on 30 September 2025)

54 Law on the Auditing of the Financial Operations of the Institutions BiH (Official Gazette of BiH, no. 17/99)

55 Law on Public Sector Auditing (Official Gazette of RS, no. 18/99)

56 Law on Auditing the Institutions of FBiH (Official Gazette of FBiH, no. 22/04)

57 OHR, Statement of High Representative and OSCE Head of Mission endorsed by Provisional Election Commission, 2000, available at: <https://www.ohr.int/statement-of-high-representative-and-osce-head-of-mission-endorsed-by-provisional-election-commission/> (accessed on 3 October 2025)

58 Election Law of BiH (Official Gazette of BiH, no. 23/01)

59 Law on Political Party Financing (Official Gazette of BiH, no. 22/00)

60 Law on Conflict of Interest in Governmental Institutions of Bosnia and Herzegovina (Official Gazette of BiH, no. 13/02)

A major turning point was the adoption of the Election Law of BiH in 2001, one of the most significant pieces of legislation adopted under international pressure.⁵⁸ The law created the Election Commission of BiH (later the Central Election Commission – CEC) as a permanent and independent body responsible for conducting elections. The first members were appointed by the High Representative. The Election Commission was also granted partial oversight of political party financing, given that the scope of financial reporting was initially limited and comprehensive auditing of party finances only began in 2004, following the adoption of the Law on Political Party Financing and the establishment of the Audit Service.⁵⁹

However, while the law formally introduced a modern electoral system, its implementation was characterised by weak enforcement from the outset:

- Political parties continued to use unreported “parallel funds” and donations;
- The sanctions available to the CEC (primarily fines) were inadequate given the scale and seriousness of the irregularities, and thus failed to have a deterrent effect;
- Most violations went unpunished, reinforcing a culture of impunity that persisted in the following years.

In this period, the international community placed strong emphasis on ensuring transparency in party financing as a key prerequisite for democratisation. Domestic authorities, however, often perceived such insistence as a threat to their monopoly over state resources. As a result, political elites created mechanisms to circumvent the law, including the misuse of public enterprises and other public resources to fund political campaigns – a practice that persisted in the following decades.

The Election Law and the accompanying regulation of political financing represented the first effort to establish institutional mechanisms of political accountability. Yet, in practice, these mechanisms soon became emblematic of a wider pattern of formal adherence to standards without genuine implementation. This tendency would later become a major obstacle in BiH’s progress towards EU integration.

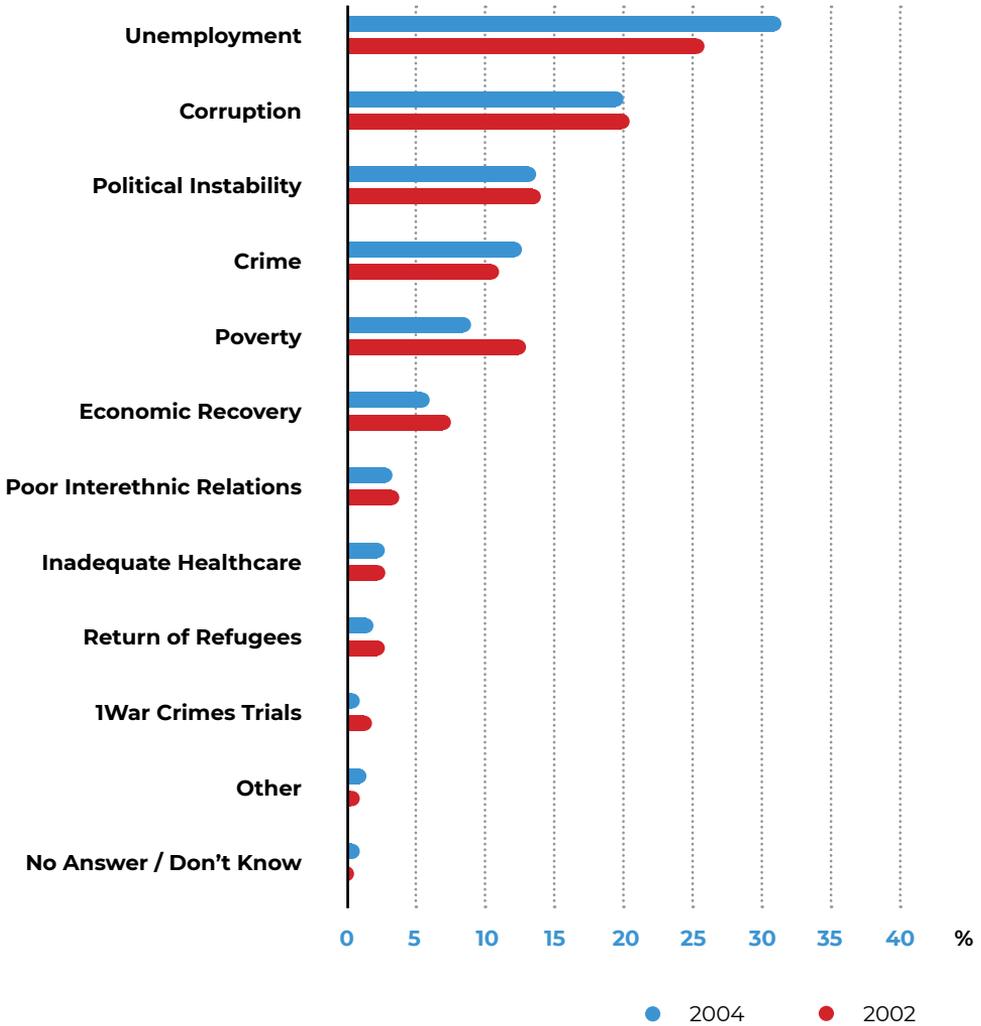
The Law on Conflict of Interest in BiH Institutions,⁶⁰ imposed by the High Representative in 2002, entered into force the day following the an-

nouncement of the October 2002 election results. The Law introduced, for the first time, special obligations for public office holders in BiH in carrying out their duties and provided clear definitions of conflicts of interest, incompatibility of office, etc. The Central Election Commission (formerly the Election Commission of BiH) was tasked with enforcing the Law. At that time, the Commission lacked adequate capacity to effectively oversee the extensive number of public office holders covered by the Law (5,057 in total, plus their relatives). Nevertheless, sanctions were stricter than in later years, and at the outset, more than 500 office holders resigned due to conflict of interest or incompatibility.⁶¹ The Law also stipulated that entity-level laws on conflict of interest be adopted within 60 days of its entry into force at the state level, although this requirement was met only years later, in 2008.

As can be observed, the implementation of anti-corruption legislation was accompanied by numerous difficulties, primarily stemming from the direct management of newly established institutions by the OHR, through the appointment of leadership and direct oversight, as well as from the continuous, often overt or covert, obstruction by domestic actors. At this stage, international interventionism had a twofold impact: it succeeded in establishing the core institutions that still underpin BiH's anti-corruption system, yet it simultaneously left that system heavily reliant on international assistance because domestic political actors displayed no intention to nurture or strengthen these institutions on their own; in fact, they often acted contrary to that goal. This resulted in a paradox: a system that appeared modern and robust on paper but was, in reality, fragile and susceptible to politicisation – a weakness that eventually contributed to its deterioration. Public opinion polls carried out by TI BiH in 2002 and 2004 indicated that citizens identified corruption as the country's most pressing issue after unemployment. This was an unexpected outcome at the time, as it was widely assumed that political instability, internal divisions or similar problems would take precedence. Yet, even then, the public recognised that tackling corruption effectively was essential for resolving many other pressing societal problems.

⁶¹ Transparency International BiH, National Integrity System Study: Bosnia and Herzegovina, 2004, available at: <https://ti-bih.org/wp-content/uploads/2004/03/NIS-BiH-english.pdf> (accessed on 30 September 2025)

The Most Serious Social Problems in BiH



» **Chart 1.**

Findings from the first two TI BiH public opinion polls on the most serious social problems in BiH

» **Source:**

National Integrity System Study BiH, Transparency International BiH, 2007

Lessons Learned

Any final assessment of the success and overall scope of this phase in the post-conflict development of BiH largely depends on the criteria applied. Should the expectation have been that BiH would emerge within a decade as a consolidated, functional and self-reliant state, this stage would likely be assessed as unsuccessful. Conversely, if the objective was to prevent a resurgence of conflict and to achieve a reasonably successful post-war reconstruction with key institutions in place, then the phase could be regarded as successful. Comparative insights offer little clarity, as BiH's post-conflict development process was largely *sui generis* – unprecedented in the European context after the Second World War – and therefore resistant to conventional comparison.

With ample justification, one can agree with the view of the first High Representative, Carl Bildt, that the Dayton Agreement was the most ambitious peace accord in history – an attempt to create a state from the remnants of war and deep-seated hostilities.⁶² This is all the more true given that the question of BiH's statehood remained largely unresolved, as the peace agreement itself provided an imposed constitution without any genuine popular consensus or support.⁶³

The criticisms levelled against the approach taken to state-building appear well-founded, primarily because the process functioned entirely divorced from politics. It reduced reforms to mere technical exercises, not only failing to engage the political sphere as the necessary arena for forging consensus but actively framing it as an obstacle that required resolution.⁶⁴

⁶² Carl Bildt, *Peace Journey: The Struggle for Peace in Bosnia*, London: Weidenfeld & Nicholson, 1998

⁶³ “In the sense articulated by Linz and Stepan, **‘disputed statehood’** refers to situations in which the very existence, borders or legitimate authority of a state are questioned – either by groups within its territory (ethnic, regional, secessionist) or by external actors. A stateness problem arises when a substantial portion of the population rejects the state's territorial boundaries ... as constituting a legitimate political entity to which they owe allegiance.”

J. Linz and A. Stepan, “Political Identities and Electoral Sequences: Spain, the Soviet Union and Yugoslavia”, Daedalus, Vol.121, No.2, 1992

The central adverse outcome of this approach was that it effectively obstructed the establishment and functioning of political accountability, both horizontal and vertical. The international community's mode of involvement in state-building created a relationship of dependency among domestic actors, rather than cultivating mechanisms of accountability towards the electorate. Political elites adopted a very pragmatic strategy: they consistently avoided undertaking difficult or unpopular reforms that might diminish their electoral chances, choosing instead to wait for the international community to carry them out. Depending on the outcomes, they would subsequently either shift the blame for failures onto the international community or, in the case of successful reforms, claim the achievements as their own.

During this period, corruption was undoubtedly acknowledged, even by the highest political representatives of the international state-building effort; however, its magnitude – and more importantly, its devastating impact on the state-building process – was not fully understood. Frequently, behind radical and unyielding nationalist rhetoric, often expressed through equally extreme actions, lay little more than the narrow, self-serving interests of wartime and post-war power brokers. Since corruption was not given sufficient priority and the state-building project failed to lay the groundwork for accountability mechanisms, the almost unchecked authority of international actors placed the ruling elites under their influence rather than under democratic control by voters. This context proved exceptionally conducive to the entrenchment of systemic corruption and the consolidation of state capture.

64 Peace without Politics? Ten Years of International State-Building in Bosnia, special issue of *International Peacekeeping*, 12/3; R. Paris, *At War's End: Building Peace after Civil Conflict*, Cambridge: Cambridge University Press, 2004

Strengthening the Role of the EU – 2000

The EU's significant involvement in BiH has been apparent since the end of the war and the initial implementation of the peace agreement. However, the nature of this engagement has evolved through several distinct phases. As early as 1995, the EU, in cooperation with the World Bank, played an important role in the planning and execution of the Country Reconstruction Programme.

In June 1998, a special EU/BiH working group was established with the aim of enhancing cooperation and supporting policymaking in key sectors such as judicial reform, education, media, good governance and economic reform.⁶⁵ Over time, the EU's engagement became increasingly direct and operational, marked by the assumption of the international police mission from the UN (International Police Task Force – IPTF), the establishment of the European Police Mission (EUPM) in 2003 and later the takeover of the military mission from NATO, with the launch of Operation

65 The Council of the European Union, 2192nd Council meeting – GENERAL AFFAIRS – Luxembourg, 21–22 June 1999, available at: https://ec.europa.eu/commission/presscorner/detail/hr/pres_99_198 (accessed on 30 September 2025)

66 The mandate for EUFOR's Operation Althea is in two parts, Executive and Non-Executive. The Executive mandate is given by the UN Security Council, and the EUFOR mission is then based on the EU Foreign Affairs Council (FAC) Joint Action which includes an Executive part derived from the UN Security Council (Supporting the BiH authorities maintain a safe and secure environment). It also includes and a Non-Executive part (Supporting AFBiH collective and combined training). This supports BiH in its progress to being a 'security provider' rather than a 'security consumer'. United Nations Security Council Resolution (UNSCR) 1551, adopted unanimously on 9 July 2004, welcomed the EU's intention to launch a military mission in BiH. The decision by the EU to launch ALTHEA followed the decision by NATO to conclude its successful SFOR-operation. This was followed by UNSCR 1575, adopted unanimously on 22 November 2004 which authorised the Member States, acting through or in cooperation with the EU, to establish a multinational stabilisation force (EUFOR) as a legal successor to SFOR, under unified command and control, which will fulfil its missions in relation to the implementation of Annex 1-A and Annex 2 of the Dayton/Paris Agreement. EUFOR has the main peace stabilisation role under the military aspects of the Peace Agreement.

Althea and the establishment of the EUFOR force in 2004.⁶⁶

The position of the EU Special Representative (EUSR), created in 2002⁶⁷ as an instrument of the EU's Common Foreign and Security Policy (CFSP), was intended to promote the EU's agenda and to transform the broader international presence, previously embodied by the OHR and other international organisations, into a more consolidated and dominant EU role.

Lord Ashdown was appointed by the Council as the first EU Special Representative in BiH on 11 March 2002.⁶⁸ From its establishment until 2011, the position of EU Special Representative was held in a personal union with that of the High Representative, meaning that the same individual performed both functions. During this decade, the so-called Bonn Powers were extensively exercised to dismiss and appoint holders of political and state offices and to impose legislation, even extending into constitutional matters.

This inherently authoritarian model of state-building was, by its nature, atypical for the EU. The fact that all EU member states are members of the PIC, that four of them (Germany, Italy, France and the United Kingdom) sit on its Steering Board and that both the European Commission and the EU Presidency are also represented there, indicates that the relationship between the two institutions — the High Representative and the EU Special Representative — has been fundamentally symbiotic. Consequently, the EU's role in the state-building process, at least formally after 2002, has been decisive.

⁶⁷ The EU Special Representative, functioning as an instrument of the Common Foreign and Security Policy, constitutes a key actor on the ground. Article 33 of the Treaty on European Union provides: "The Council may, on a proposal from the High Representative of the Union for Foreign Affairs and Security Policy, appoint a special representative with a mandate in relation to particular policy issues. The special representative shall carry out his mandate under the authority of the High Representative".

⁶⁸ The Council of the European Union, Council Joint Action on the appointment of the EU Special Representative in Bosnia and Herzegovina, 11 March 2002, https://europavarietas.org/docs/cja2002_211cfsp.pdf (accessed on 30 September 2025)

In March 2000, the EU introduced the Road Map as the first step in the Stabilisation and Association Process (SAP). This document outlined eighteen conditions that BiH needed to fulfil as a prerequisite for the preparation of a Feasibility Study – the basis for launching negotiations on a Stabilisation and Association Agreement (SAA). The conditions were grouped into three categories – political, economic and those relating to democracy, human rights and the rule of law – and encompassed a broad spectrum of reforms, including the strengthening of state institutions, the judiciary, electoral processes, the civil service, border management, public broadcasters, etc.⁶⁹ The priorities set out in the Road Map aimed to

⁶⁹ EU Road Map Steps to be taken by Bosnia and Herzegovina to Prepare for a Launch of a Feasibility Study, available at: <http://www.esiweb.org/pdf/bridges/bosnia/EURoadMap.pdf> (accessed on 30 September 2025)

⁷⁰ The 2000 Road Map conditions can be classified into three groups:

- **Political conditions** (adopt an election law, adopt a civil service law, establish permanent secretariat in the Presidency; agree on chairmanship of the CoM and adopt legal amendments; single passport; implement the law on state border service). The adoption of the election law was without a doubt one of the most important requirements of the 2000 Road Map and also one of the conditions for BiH becoming a member state of the CoE. The adoption of the election law in August 2001 meant that the responsibility for conducting elections was finally handed over from the OSCE and the Provisional Election Commission, which operated under the auspices of the OSCE, to the CEC BiH. The CEC's first make-up was appointed by the HR and included both national and international members. The first elections fully organised and funded by the CEC BiH were held in 2004. An important condition concerned the strengthening and expansion of the CoM, which was a major step towards strengthening the central-level executive.
- **Economic conditions** (abolish payment bureaus; establish state treasury; remove all trade barriers between entities; implement FDI legislation and adopt restitution legislation). Economic conditions were primarily concerned with enabling market-based operation of the payment system via commercial banks in lieu of the former system of payment bureaus, and eliminating trade barriers between entities. An important requirement was related to the establishment of a treasury mode of operation of government institutions, providing greater transparency and accountability in the spending of budget funds.
- **Conditions in the area of Human Rights and Rule of Law** (constitutional court funding; conditions for sustainable return and property legislation, law on judicial and prosecutorial service at the entities' level).

establish the fundamental prerequisites for a functioning state, ensuring that BiH would be ready to embark on, and later assume, the obligations arising from the SAA. Given that Annex 4 of the Dayton Peace Agreement – the Constitution of BiH – provides only a limited number of state-level competences, the EU, through the Road Map, effectively sought to secure the minimum set of central functions necessary for the country to initiate its integration process towards the EU.⁷⁰

At its final meeting in this format, held in Brussels in May 2000, the PIC confirmed the conditions outlined in the EU's Road Map. This decision effectively marked a shift away from the conditions previously defined and implemented by the High Representative under the framework of the Dayton Peace Agreement, towards a model of conditionality based on the process of EU accession.⁷¹

When the conditions were initially formulated, the EU anticipated that they could be fulfilled within eight to nine months. In practice, however, their implementation took nearly three years.⁷² Particular emphasis during this period was placed on judicial reform and the establishment of state-level judicial institutions, previously part of the OHR's reform agenda. Within this reform framework, several key laws were enacted: the Law on the Court of BiH, Law on the Prosecutor's Office of BiH, Criminal Code of BiH, Criminal Procedure Code of BiH and the Law on the High Judicial and Prosecutorial Council (HJPC). The overarching goal was to create and ensure the effective functioning of state-level judicial institutions while introducing an independent appointment process for judicial office holders. The reforms were extensive and transformative, fundamentally reshaping not only the substantive and procedural legal framework but also establishing entirely new judicial institutions, introducing the principle of judicial self-governance through the HJPC and reforming the process of judicial appointments.

⁷¹ Peace Implementation Council, Annex to the PIC Declaration: Required Actions, Brussels, 24 May 2000, available at: <https://www.ohr.int/pic-declaration-annex/> (accessed on 1 October 2025)

⁷² Gergana Noutcheva: "European Foreign Policy and Challenges of Balkan Accession, Conditionality, Legitimacy and Compliance", Rutledge 2012.

⁷³ Law on the High Judicial and Prosecutorial Council of BiH (Official Gazette of BiH, no. 25/04)

The Law on the High Judicial and Prosecutorial Council of BiH was adopted in 2004,⁷³ following an agreement between the entity prime ministers and the BiH Ministry of Justice on the transfer of competences and the establishment of a centralised body responsible for overseeing the judiciary, appointing judges and introducing preliminary mechanisms of accountability.⁷⁴

In November 2003, the EC officially concluded that the Road Map had been essentially implemented.⁷⁵ However, in informal discussions, officials in Brussels acknowledged that expectations had never extended far beyond what had already been achieved under the Road Map, emphasising instead the importance of preserving reform momentum.⁷⁶

As a result, the EC Report on the Preparedness of BiH to Negotiate an SAA identified sixteen additional priorities that had to be fulfilled before the EC could recommend to the Council the opening of negotiations, effectively acknowledging that the Road Map had not been fully implemented. Although the EU did not at this stage explicitly refer to amendments to the BiH Constitution, the formulation of its requirements and the positions outlined in official EU documents indirectly conveyed the message that constitutional reform was necessary. In this context, the EC noted in the Feasibility Study that “from a perspective of European integration it is difficult to argue that the current constitutional order is optimal”.⁷⁷

All additional EC requirements pursued the same objective as those of the original Roadmap – to stabilise and strengthen state-level institutions. The sixteen additional requirements identified in the Feasibility Study largely

74 European Commission for Democracy Through Law (Venice Commission)

The Judicial Power in Bosnia and Herzegovina (BiH) Background Paper Opinion no. 648/2011 CDL(2011)096rev* Strasbourg, 9 December 2011, available at: https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL%282011%29096rev-e&utm_source=chatgpt.com (accessed on 1 October 2025)

75 European Commission, Bosnia and Herzegovina: Commission approves Feasibility Study, European Commission -IP/03/1563 18/11/2003, available at: http://europa.eu/rapid/press-release_IP-03-1563_en.html (accessed on 1 October 2025)

76 Gergana Noutcheva: “European Foreign Policy and Challenges of Balkan Accession, Conditionality, Legitimacy and Compliance”, Rutledge 2012

focused on the implementation of laws already adopted under the Road Map. As previously mentioned, most of these laws had been enacted through the imposition of the High Representative, and the new requirements were therefore intended to ensure their consistent and sustainable enforcement.

Among the requirements identified in the Feasibility Study was the implementation of the previously imposed Law on the Council of Ministers, which expanded the body from its original structure of three ministries and a chairperson to a composition of nine ministries and a chairperson.⁷⁸ The initial Council of Ministers comprised only three ministries (Foreign Affairs, Foreign Trade and Economic Relations, and Civil Affairs and Communications) and operated under a system of two co-chairpersons and a vice-chairperson who alternated in the role of chairperson. Following a decision of the Constitutional Court, this rotation system was abolished. With the adoption (or imposition) of the 2002 Law, the Council of Ministers was considerably enlarged through the establishment of five additional ministries: Security, Finance and Treasury, Justice, Human Rights and Refugees, and Communications and Transport. These additions strengthened the overall functioning of the central executive authority. Subsequently, the 2003 amendments⁷⁹ to the Law on the Council of Ministers introduced the Ministry of Defence of BiH, bringing the total number of ministries in the BiH Council of Ministers to nine.

Similarly, the implementation of the Law on Civil Service, originally established as a condition under the 2000 Road Map, was once again defined as a condition through the development of an action plan for public administration reform at the countrywide level. The conditions concerning the rule of law focused on the establishment of a single HJPC at the central level and on strengthening judicial and law enforcement institutions

⁷⁷ European Commission: Report from the Commission to the Council on the preparedness of Bosnia and Herzegovina to negotiate a Stabilisation and Association Agreement with the European Union (Feasibility Study) COM (2003) 692 final, 18 November 2003, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52003DC0692> (accessed on 1 October 2025)

⁷⁸ Law on the Council of Ministers of Bosnia and Herzegovina (Official Gazette of BiH, no. 38/02)

⁷⁹ Law Amending the Law on the Council of Ministers of Bosnia and Herzegovina (Official Gazette of BiH, no. 42/03)

at the state level. Consequently, in addition to judicial bodies, law enforcement agencies such as the State Investigation and Protection Agency⁸⁰ and the Intelligence-Security Agency⁸¹ were created. Conditions related to human rights, particularly those concerning the creation of conditions for sustainable return, continued to be included as a requirement in the feasibility study. During this period, the Directorate for European Integration (DEI) was established and became the EC's principal counterpart within the Stabilisation and Association Process (SAP), taking responsibility for "special tasks" such as negotiating and monitoring the implementation of agreements concluded with the EU.⁸²

A major distinction from the Road Map conditions was that the Feasibility Study introduced significant conditions concerning the adoption of legislation on budgeting and tax collection at the central level of government. These conditions emphasised the establishment of an institution for indirect taxation at the state level, the adoption of relevant legislation and the enactment of laws regulating the budget and budgetary procedures at the state level.

During this period, the process of public administration reform was initiated. At the PIC meeting held in March 2003, the launch of the reform process was formally endorsed.⁸³ Governments at all levels adopted the document "Public Administration Reform – Our Agenda" as a demonstra-

⁸⁰ Law on the State Investigation and Protection Agency (Official Gazette of BiH, no. 27/04); Law Amending the Law on the State Investigation and Protection Agency (Official Gazette of BiH, no. 63/04), imposed by the High Representative and confirmed by the Law Amending the Law on Police Officers of Bosnia and Herzegovina (Official Gazette of BiH, no. 35/05)

⁸¹ Law on the Intelligence and Security Agency of Bosnia and Herzegovina (Official Gazette of BiH, no. 12/04); Law Amending the Law on the Intelligence and Security Agency of Bosnia and Herzegovina (Official Gazette of BiH, no. 20/04) was adopted by Decision of the High Representative

⁸² European Commission, Report from the Commission to the Council on the preparedness of Bosnia and Herzegovina to negotiate a Stabilisation and Association Agreement with the European Union, COM(2003) 692 final, Brussels, 18 Nov. 2003, §B.1.1, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52003DC0692> (accessed on 1 October 2025)

⁸³ Peace Implementation Council, Communiqué by the PIC Steering Board 03/28/2003 PIC SB Political Directors Brussels available at: <https://www.ohr.int/communique-by-the-pic-steering-board-16/> (accessed on 1 October 2025)

tion of their commitment to initiating the reform of public administration. The document identified that public administration in BiH failed to meet the basic needs of citizens and that, in order to fulfil European integration requirements, BiH needed to enhance its existing administrative capacities.⁸⁴ Acting on the Feasibility Study recommendation for initiating negotiations on the Stabilisation and Association Agreement (SAA), the CoM established the Public Administration Reform Coordinator's Office (PARCO) in 2004, "with the objective of implementing the common policy and procedures of competent authorities in BiH in the area of public administration reform, as well as ensuring the efficient coordination of activities falling within the competences of various BiH institutions".⁸⁵

Following the preparation of systemic and functional reviews of public administration, the Public Administration Reform Strategy for 2006–2014,⁸⁶ along with Action Plan 1, was adopted in 2006. The Joint Platform on the Principles and Methods of Implementation of Action Plan 1 of the Public Administration Reform Strategy in BiH established the mechanism for reform implementation, while the Memorandum of Understanding on the Establishment of the Public Administration Reform Fund between BiH authorities and international donors created the PAR Fund, enabling both domestic and donor representatives to allocate funds for the reform and jointly determine its implementation.

In October 2005, the EC recommended the opening of negotiations on an SAA with BiH, recognising the progress achieved in meeting the 16 conditions from the feasibility study but simultaneously stressing the need for further improvements in cooperation with the International Criminal Tri-

⁸⁴ Public Administration Reform – Our Agenda, available at: <https://www.scribd.com/doc/266623518/Reforma-Javne-Uprave-BiH> (accessed on 1 October 2025)

⁸⁵ Decision Establishing the Public Administration Reform Coordinator's Office within the Cabinet of the Chair of the Council of Ministers of BiH (Official Gazette of BiH, no. 04/05)

⁸⁶ Public Administration Reform Strategy of BiH 2006–2014, available at: <http://rju.parco.gov.ba/wp-content/uploads/2014/02/strategy-for-public-administration-reform.pdf> (accessed on 1 October 2025)

⁸⁷ EU Commission recommends opening Stabilisation and Association Agreement negotiations with Bosnia and Herzegovina (21 October 2005: Brussels); available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0529:FIN:EN:PDF> (accessed on 1 October 2025)

bunal for the former Yugoslavia, as well as in implementing police reform and adopting the Law on the Public Broadcasting System.⁸⁷ Negotiations formally commenced on 25 November 2005. The European Partnership, as an instrument within the SAP that defines the framework of priority activities and financial arrangements, had been adopted in 2004 and subsequently revised and amended in 2006 and 2008.⁸⁸

The priorities set out in the European Partnership focused on ensuring the continued and consistent implementation of reforms introduced under the first two sets of conditions from 2000 and 2003. Particular attention was given to strengthening institutional capacities and ensuring the full operational functionality of the newly established executive, judicial and law enforcement bodies. A central objective was to secure the self-sustainability of institutions and reforms imposed through the OHR's intervention by enabling domestic authorities to assume full responsibility for all aspects of their operation – from the appointment of management to achieving budgetary independence and ensuring the consistent application of laws within their areas of competence.

88 The Council of the European Union, Council Decision on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina and repealing Decision 206/55/EC, 18 February 2008, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX-:32008D0211> (accessed on 1 October 2025)

Turning Point 2005/2006

As elaborated earlier, the EU effectively began applying its conventional conditionality-based approach towards BiH – typically reserved for potential candidate countries – as early as 2000. The stipulated conditions were largely met by means of the Bonn powers, i.e. through measures imposed by the High Representative. This model represented a precedent in the history of European integration and may be described as a hybrid between an authoritarian state-building model and that of constructing a future EU member state. Consequently, 2005 and 2006 are considered to mark a genuine turning point, both in terms of the character of the international community's involvement in BiH and in the gradual handover of responsibilities from the broader international community to the EU.

In 2005, the PIC Steering Board for the first time declared its intention to close the OHR and to maintain international engagement through the EUSR.⁸⁹ Nevertheless, despite persistent and growing criticism of the so-called Bonn powers and the lack of agreement among PIC member states on their continued use, it was only three years later that consensus was achieved on defining the objectives and criteria required for the formal termination of the OHR's mandate. During the meeting of PIC Political Directors held in Brussels on 26–27 February 2008, the objectives to be met prior to the OHR's closure were established – commonly referred to as the 5+2 agenda.⁹⁰

⁸⁹ Peace Implementation Council, Communiqué by the PIC Steering Board Sarajevo PIC SB Political Directors | 24/6/2005, available at: <https://www.ohr.int/communique-by-the-pic-steering-board-7/> (accessed on 1 October 2025)

⁹⁰ Agenda 5+2: Acceptable and Sustainable Resolution of the Issue of Apportionment of Property between State and other levels of government; Acceptable and Sustainable Resolution of Defence Property; Completion of the Brčko Final Award; Fiscal Sustainability (promoted through an Agreement on a Permanent ITA Co-efficient methodology and establishment of a National Fiscal Council); and Entrenchment of the Rule of Law (demonstrated through Adoption of National War Crimes Strategy, passage of Law on Aliens and Asylum, and adoption of National Justice Sector Reform Strategy). In addition to these objectives, two conditions were set: signing of the SAA and a positive assessment of the situation in BiH by the PIC SB.

Growing criticism of the unrestrained exercise of the Bonn powers, which were meant to be applied only in exceptional cases but became a regular practice, has increasingly come not only from scholars but also from official bodies of international organisations. The Parliamentary Assembly of the Council of Europe pointed out that it is “irreconcilable with democratic principles that the High Representative should be able to take enforceable decisions without being accountable for them or obliged to justify their validity and without there being a legal recourse”.⁹¹ In a similar vein, the Venice Commission, in its opinion, stated that “it is certainly not a normal situation that an unelected foreigner exercises such powers in a Council of Europe member state and the justification for these powers for the future merits not only political but also legal consideration [...] such an arrangement is fundamentally incompatible with the democratic character of the state and the sovereignty of BiH”.⁹²

The first major initiative to amend the Constitution of BiH was launched in 2005, spearheaded by then US Ambassador Douglas McElhaney. Backed by the US State Department, the initiative was coordinated by the US Embassy and conducted through direct negotiations with political leaders. It was developed on the basis of the opinion of the Venice Commission.⁹³ After a series of closed-door meetings, political leaders agreed on a draft proposal for constitutional amendments by March 2006. The proposed changes sought to strengthen the state level of government through the establishment of two new ministries (for agriculture and technology) and to reinforce the role of the state parliament by increasing the number of MPs. The agreed proposal was submitted to parliament in April 2006 and became known as the April Package of constitutional reforms. The initiative faced its strongest resistance from Haris Silajdžić’s Party for BiH (SBIH), which criticised the reforms as inadequate and superfi-

⁹¹ Parliamentary Assembly of the Council of Europe, “Resolution on strengthening of democratic institutions in Bosnia and Herzegovina”, 23 June 2004; available at: <https://assembly.coe.int/nw/xml/XRef/xref-XML2HTML-en.asp?fileid=17232&lang=en> (accessed on 1 October 2025)

⁹² European Commission for Democracy Through Law (Venice Commission), Opinion on the Constitutional Situation in Bosnia and Herzegovina and the Powers of the High Representative CDL-AD (2005) 004 Venice, 11 March 2005, available at: [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2005\)004-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2005)004-e) (accessed on 1 October 2025)

⁹³ Ibid.

cial, claiming they would further deepen the country's internal divisions. The constitutional amendments ultimately failed to secure the required parliamentary majority, primarily due to SBiH opposition.⁹⁴ Subsequent cables released by WikiLeaks suggested that SBiH allegedly resorted to bribery and manipulation to influence parliamentarians to vote against the amendments.⁹⁵

The failure of the so-called April Package marked a decisive turning point in the nature of the international community's presence and role in the country. Achieving consensus on the use of the Bonn powers became increasingly difficult, and following the "big bang" reform package of 2000–2004, which was driven by EU conditionality but largely enforced through the use of the Bonn powers, the country entered a period of stagnation.

This turning point did not occur overnight. Efforts to achieve constitutional change continued with relative intensity in subsequent years through the so-called Prud and Butmir processes, and especially after the 2009 Sejdić–Finci judgment of the European Court of Human Rights.⁹⁶ However, reaching agreement on both the approach and the modalities of constitutional reform proved nearly impossible, not only among the domestic political elites but also between the main international partners supporting reforms in BiH, namely the US and the EU. The EU increasingly favoured an approach focused on technical aspects of the country's EU integration process, while the US side displayed a growing lack of interest in the kind of robust interventionism that comprehensive constitutional reform would entail.

⁹⁴ Sofia Sebastian, *Leaving Dayton Behind: Constitutional Reform in BiH*, FRIDE November 2007

⁹⁵ DW, *WikiLeaks o padu aprilskog paketa ustavnih promjena*, DW, 4 September 2011, available at: <http://www.dw.de/wikileaks-o-padu-aprilskog-paketa-ustavnih-promjena/a-15363510> (accessed on 1 October 2025)

⁹⁶ Culio Veneri: "From international to EU driven state building: the Reorganization of sovereignty in post-Dayton Bosnia and Herzegovina", Phd Dissertation, University of Trento 2010

Police Reform

The long-term process of police reform began once it was identified as a prerequisite for obtaining a positive opinion to commence SAA negotiations.⁹⁷ Negotiations on police reform started in 2004 within the framework of the Police Reform Commission established by the OHR, which included international members appointed by the OHR and representatives of domestic institutions (state, entity and cantonal ministries).⁹⁸ In the same year, a functional review of police agencies in BiH was conducted to determine the appropriate direction for reform. The key finding of the review was that the existence of 15 different police agencies in BiH did not, in itself, constitute a weakness, as similar forms of police organisation exist in several EU member states. Based on the review, three possible models for organising police structures were identified: a centralised model, an entity-level model and a regional model.

The EU, in cooperation with the OHR, established the following key principles as the basis for police reform:

1. The police force shall be coordinated and managed at the state level; There shall be no political interference in police operations and activities;
2. ties;
3. Local police units shall be established based on the principle of functionality.⁹⁹

The decision set the objective of establishing a unified police organisational structure under the supervision of the CoM. From the outset, representatives of the RS Government opposed the transfer of authority from entity ministries to the state-level CoM and rejected the proposal

⁹⁷ Statement by EC Commissioner Rehn on the police reform negotiations in BiH, following his meeting with the European Union Special Representative Paddy Ashdown, available at

http://www.ohr.int/ohr-dept/rule-of-law-pillar/prc/prc-pr/default.asp?content_id=35383

⁹⁸ OHR, Decision Establishing the Police Restructuring Commission, 5 July 2004; available at: <https://www.ohr.int/?p=65507&print=pdf> (accessed on 1 October 2025)

⁹⁹ International Crisis Group, Bosnia's Stalled Police Reform: No Progress, No EU, Europe Report N°164 – 6 September 2005; available at: <https://www.securitycouncilreport.org/atf/cf/%7B65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Bosnia%20ICG%20Report.pdf> (accessed on 1 October 2025)

for police regions to cross the inter-entity boundary line.¹⁰⁰ Consequently, the Commission concluded its work without tangible results or an agreed joint proposal.

The Commission's failure to reach agreement on a reform proposal resulted in the transfer of negotiations to the level of political leaders. Under the renewed auspices of the OHR, negotiations began in 2005, with the initial round producing no substantive outcomes. After sixteen months of talks and an initial rejection by the RS National Assembly, in October 2005 the Assembly eventually endorsed the agreement reached between the RS President and the High Representative, which was deemed acceptable by the European Commission. Although the agreement did not include specific solutions, it nevertheless helped to break the impasse. The international community interpreted the agreement as a success, while RS political representatives simultaneously presented it to the domestic public as their own achievement. Soon afterwards, formal negotiations on the SAA were launched in November 2005.¹⁰¹

The police reform process continued in 2006 with the establishment of the Police Reform Directorate by the CoM, a move that immediately provoked opposition from the RS Government.¹⁰² The initial conclusions adopted by the Directorate in 2006 were not supported by its RS members. Later that year, the Directorate issued its final report, which differed little from the earlier proposal prepared by the Police Reform Commission. Both the report and the Directorate itself were deemed unacceptable and unlawful by RS representatives.¹⁰³ Following the lack of progress in advancing police reform, the PIC decided to extend the OHR's mandate and postpone the full transition to the EUSR.¹⁰⁴

¹⁰⁰ Daniel Lindvall: "The Limits of the European Vision in Bosnia and Herzegovina" An Analysis of the Police Reform Negotiations, University of Stockholm 2009

¹⁰¹ Ibid.

¹⁰² Denis Hadžović, Armin Kržalić and Alma Kovačević: Overview of Policing in Bosnia and Herzegovina, Centar za sigurnosne studije, Sarajevo 2013

¹⁰³ Daniel Lindvall: "The Limits of the European Vision in Bosnia and Herzegovina" An Analysis of the Police Reform Negotiations, University of Stockholm

¹⁰⁴ Peace Implementation Council, Communiqué by the PIC Steering Board, PIC SB | 27/2/2007, available at: <https://www.ohr.int/communique-by-the-pic-steering-board/> (accessed on 1 October 2025)

Negotiations nevertheless resumed in early 2007, when the RS President unexpectedly accepted a new proposal for police reform shortly before the expiry of the EU ultimatum. The proposal envisaged the transfer of competences to the state level, on the condition that the RS police remain part of the state-level police structure. This time, the proposal was rejected by a Bosniak member of the Presidency, who objected to the continued use of the name “RS police”, considering it contrary to the declared European principles.¹⁰⁵

Negotiations continued under the leadership of the newly appointed High Representative and EU Special Representative, Miroslav Lajčák, during the second half of 2007, when the OHR presented political leaders with a protocol based on the proposal of the Police Reform Directorate.

The protocol represented an effort to reconcile divergent positions from previous discussions. It envisaged the integration of police structures at the state level within the Ministry of Security, while stipulating that police regions would not cross the inter-entity boundary line. Although the document was initially rejected by both the party of BiH Presidency member Haris Silajdžić and the SNSD, led by RS President Milorad Dodik, an agreement to accept the protocol was nevertheless reached in September. However, Croatian parties and the SDA subsequently criticised the SNSD and SBiH, claiming that the agreement was inconsistent with the so-called European principles. These disagreements ultimately caused this round of negotiations to collapse in October 2007.¹⁰⁶

Following the collapse of the police reform negotiations, the High Representative sought to reactivate the Bonn powers by imposing a decision to amend the Law on the Council of Ministers, with the aim of improving the decision-making process within that body. Simultaneously, the High Representative instructed the Parliamentary Assembly to amend the provisions of its Rules of Procedure regulating the voting process. The changes aimed to unblock decision-making in these institutions by limiting the

¹⁰⁵ Daniel Lindvall: “The Limits of the European Vision in Bosnia and Herzegovina” An Analysis of the Police Reform Negotiations, University of Stockholm

¹⁰⁶ Denis Hadžović, Armin Kržalić and Alma Kovačević: Overview of Policing in Bosnia and Herzegovina, Centar za sigurnosne studije, Sarajevo 2013

potential for obstruction and manipulation by representatives of ethnic groups.¹⁰⁷

The High Representative's decisions ushered in a new phase of the crisis, as threats from RS representatives to withdraw from state institutions quickly followed, alongside the resignation of the chair of the CoM. In an effort to defuse the escalating situation, the OHR convened political leaders in Mostar, reopening discussions on police reform. The meeting resulted in the adoption of the "Mostar Declaration", which, though lacking in detail, reaffirmed that the reform would proceed in accordance with European principles and the Constitution of BiH. Soon thereafter, political leaders agreed on an action plan to implement the "Mostar Declaration" and thereby meet the requirements for signing the SAA. The plan foresaw the adoption of two laws regulating the establishment of new state-level police institutions (the Forensics and Expertise Agency, the Education and Professional Development Agency, the Police Support Agency, the Independent Board, the Citizen Complaints Board and the Police Officer Complaints Board), while maintaining the existing entity and cantonal police structures. Even though this document departed from previous proposals and European principles, the international community nevertheless endorsed it as a means to resolve the crisis and break the impasse in police reform.¹⁰⁸

As part of the negotiations on the action plan, an agreement was reached to amend the Decision Promulgating the Law Amending the Law on the Council of Ministers. The amendment entailed adopting an authentic interpretation of the aforementioned decision by the OHR, thereby effectively revising it.

Following three years of negotiations, the parties reached an agreement that diverged markedly from the established principles and failed to intro-

¹⁰⁷ OHR, Decision Enacting the Law on Changes and Amendments to the Law on the Council of Ministers of Bosnia and Herzegovina, 19 October 2007; available at: <https://www.ohr.int/decision-enacting-the-law-on-changes-and-amendments-to-the-law-on-the-council-of-ministers-of-bosnia-and-herzegovina/> (accessed on 1 October 2025)

¹⁰⁸ Daniel Lindvall: "The Limits of the European Vision in Bosnia and Herzegovina" An Analysis of the Police Reform Negotiations University of Stockholm, 2009

duce any substantial transformation of BiH's police structure. The agreed laws were adopted in April 2008, allowing BiH to at least formally satisfy the criteria necessary for the signing of the SAA.¹⁰⁹ The SAA was signed in June of the same year, and the Interim Agreement entered into force on 1 July 2008.

The lack of consistency demonstrated by the EU throughout the police reform process was striking. Solutions that lacked grounding in EU standards were promoted and imposed as conditions, while the conditions themselves were repeatedly adjusted in order to prevent the complete collapse of the process, which ultimately concluded with only superficial changes in the form of newly established state-level institutions.

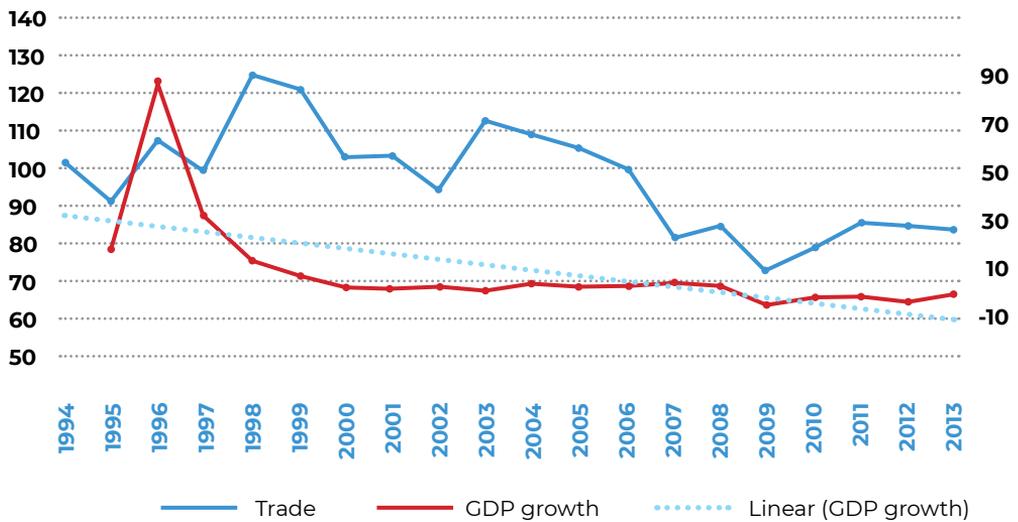
¹⁰⁹ European Commission, Ambassador Korkoulas welcomes the signature of the Stabilisation and Association Agreement with Bosnia and Herzegovina, Press Release, 16 June 2008

Economic Growth Stalled

Although economic trends had shown considerable positive momentum in the preceding period, it is now clearer than ever how closely macro-economic stagnation has mirrored the political dynamics and instability described above. In the initial years, brief periods of expansion were observed, yet they proved unsustainable, as political interference exerted a profoundly negative impact on the economy.

BiH has persistently advanced at a slow pace along the path of economic recovery and reform. While substantial donor assistance in the immediate post-war period helped revive certain production capacities and service sectors, this support gradually diminished once domestic authorities took over the implementation of the reform agenda. The gradual disengagement of the international community, combined with the growing dominance of state control over the economy, effectively reversed many of the earlier reforms and prolonged the suffering faced by the economy and the real sector. This is best illustrated by the GDP growth and trade indicators presented in the chart below.

Trade (% GDP) and GDP growth (annual %)



» **Chart 2.** GDP and trade¹¹⁰

Rather than being driven by growth in production and trade, the economy has become reliant on external borrowing and on remittances sent by an ever-expanding diaspora, whose emigration is now almost entirely motivated by economic reasons.¹¹¹

Since the early 2000s, foreign debt has shown a steady upward trend, and by the end of the period under review it had exceeded 60% of GNI, becoming a primary source of budget revenue. On the expenditure side, it is evident that the majority of investments are directed towards unproductive items. Over 60% of entity budgets in RS and FBiH were consumed by the public sector wage bill and social spending, with an additional 30% allocated to servicing foreign debt.¹¹² The proportion as well as the absolute value of spending on salaries and social benefits increased steadily over time, contributing to further borrowing – both domestic and foreign – and rising tax burdens (including VAT, personal income tax, corporate income tax, etc.). During this period, the budget deficit remained at approximately -3.6% of GDP.¹¹³ Such fiscal imbalances ultimately contributed to mounting social tensions, culminating in the riots and unrest that erupted in early 2014.

In 2009, 25.1% of enterprises identified political instability as the greatest obstacle to the national economy, a figure that rose sharply to 31.4% by 2013. By comparison, in the same year only 10.8% of enterprises worldwide cited political instability as a problem, while the proportion in Central and Eastern Europe was 13.5%, according to data from the World Bank's Enterprise Surveys.

110 Srđan Blagovčanin and Boris Divjak: *How Bosnia's Political Economy Holds It Back And What to Do About It?*, J. Hopkins University, Washington DC, 2015, p. 11, available at: https://ti-bih.org/wp-content/uploads/2015/10/How_Bosnias_Political_Economy_Holds_It_Back_And_What_to_Do_About_It.pdf (accessed on 20 October 2025)

111 Source: World Bank Data Macroeconomic Indicators, available at: <https://data.worldbank.org/country/bosnia-and-herzegovina> (accessed on 18 October 2025)

112 Budgets: Republika Srpska (2015) and Federation of BiH (2015).

113 CIA, *The World Factbook*, Bosnia and Herzegovina, 2015, available at: <https://www.cia.gov/the-world-factbook/about/archives/> (accessed on 20 October 2025)

Owing to the significant wartime emigration of the 1990s, BiH ranks sixth globally in the share of remittances received relative to GDP, which fluctuated between 13% and 23% in the 2006–2010 period. According to World Bank estimates,¹¹⁴ annual inflows from international remittances through the banking system alone amounted to USD 2.228 billion US dollars in 2010. This figure represents a staggering **45.5%** of the total value of BiH's exports of goods and services, which in that year stood at USD 4.9 billion (at current prices).¹¹⁵ Nevertheless, estimates by the Global Network of BiH Diaspora suggest that, even then, remittance inflows were likely double the official figures, due to the prevalence of informal cash-based transfers¹¹⁶ that sustained household consumption and kept the system from collapsing altogether.

¹¹⁴ World Bank, *Migration and Remittances Factbook 2011*, Second Edition, available at: <https://documents1.worldbank.org/curated/en/630421468163744010/pdf/578690PUB0Migr11public10BOX353782B0.pdf> (accessed on 20 October 2025)

¹¹⁵ World Integrated Trade Solutions, *Bosnia and Herzegovina Trade Summary Data 2010*, World Bank, available at: <https://wits.worldbank.org/CountryProfile/en/Country/BIH/Year/2010/Summary> (accessed on 20 October 2025)

¹¹⁶ Nermin Oruč, *Do Social Transfers “Crowd-Out” Remittances: Evidence from Bosnia*, The wiiw Balkan Observatory, Working Papers, 092, February 2011, available at: <https://wits.worldbank.org/CountryProfile/en/Country/BIH/Year/2010/Summary> (accessed on 20 October 2025)

Burdensome Business Environment Hampers Recovery and Growth

Meanwhile, the unstructured and fragile economy continues to underperform. In the composition of GDP by end use, exports of goods and services account for 29%, while net exports stand at -52.4%.¹¹⁷ This combination of persistently low export levels and high import dependence has resulted in a long-term negative net trade balance and continuous capital outflows. The real sector remains heavily burdened by taxation, which primarily feeds into the unproductive public sector.

Enterprise ownership and legal incorporation structure in the non-agricultural, formal private economy reveals yet another worrying trend:

Enterprise ownership and legal incorporation structure in the non-agricultural, formal private economy

Economy	①	②	③	④	⑤	⑥
All countries (global)	87.7	9.2	83.1	3.1	39.1	40.0
Eastern and Central Europe	93.7	4.9	85.1	1.7	85.2	9.8
BiH 2002	42.8	10.2	66.2	17.6	16.0	0.0
BiH 2005	79.7	13.0	78.9	7.5	16.4	0.0
BiH 2009	89.4	5.2	92.0	13.8	56.7	26.5
BiH 2013	93.4	5.4	88.1	3.3	96.7	0.0

- 1 Private domestic ownership (%)
- 2 Private foreign ownership (%)
- 3 Ownership by largest owner (%)
- 4 Publicly listed company (%)
- 5 Private limited liability company (%)
- 6 Sole proprietor (%)

Ownership structures have been undergoing constant change, with foreign capital fleeing the country, particularly since the beginning of the so-called constitutional reform process. While in the early 2000s BiH boasted a higher level of foreign capital presence than the average Central and Eastern European country, this figure rapidly declined to roughly one third of its peak investment level. From a high of USD 2.1 billion in 2007, foreign direct investment fell dramatically to USD 392 million in 2012.¹¹⁸ During this period, ownership became increasingly concentrated, with between 88% and 92% of company capital held by the largest shareholders. A similar pattern can be observed in terms of the legal incorporation: whereas public listing was relatively common in the 2000s, by 2013 it had declined fourfold, largely replaced by far less transparent and highly concentrated limited liability companies.¹¹⁹ At the same time, sole proprietorships and small crafts have been collapsing on a large scale due to excessive bureaucracy and the associated administrative costs, to the extent that they are now nearly absent from the country's economic landscape. Capital has thus become concentrated in the hands of a few powerful individuals, while genuinely business-oriented actors have been leaving the private sector. This ongoing consolidation of capital is further reinforced through direct fiscal transfers to state-owned enterprises managed by influential figures from the ruling parties.

¹¹⁷ CIA, The World Factbook, Bosnia and Herzegovina 2015

¹¹⁸ US Department of State, 2014 Investment Climate Statement, June 2014, available at: <https://2009-2017.state.gov/documents/organization/229000.pdf?safe=1> (accessed on 20 October 2025)

¹¹⁹ Figures sourced from the Sarajevo and Banja Luka Stock Exchanges pertaining to the year 2012

Corrupt Privatisation and Industrial Collapse – Brod Oil Refinery

In 2009, Transparency International BiH published a comprehensive report on the privatisation process in BiH, which included an in-depth analysis of the Agreement on the Privatisation of the Oil Industry of Republika Srpska (NIRS). The report revealed not only that the transfer produced no positive financial effects, but also that it generated substantial long-term losses and liabilities for public finances. Applying a conservative analytical approach to the agreement, which had initially been withheld from public scrutiny by the authorities, the report concluded that approximately BAM 1 billion (equivalent to half a billion euros) had been added to the public debt of Republika Srpska within the first few years of operation, following the transfer of the refinery to an obscure Russian legal entity with an opaque management structure, Nyeftegaz-inkor. One clear example of the direct costs involved was the issuance of non-concessional loans by the Russian company to the Brod Oil Refinery, effectively lending to itself as the new owner. The post-sale valuation of the industry was so low that it immediately caused the stock price of the business to slump on the Banja Luka Stock Exchange to a fraction of the pre-sale value, by as much as 90%. Moreover, the agreed purchase price was never paid in full, with only about half of the contracted amount actually transferred into the RS budget.¹²⁰

¹²⁰ Transparency International in BiH, Analiza Ugovora o privatizaciji Naftne industrije Republike Srpske, 2009, available at: https://ti-bih.org/wp-content/uploads/2011/02/20090407_NIRS_analiza-FINAL.pdf (accessed on 20 October 2025)

Meanwhile, losses continued to accumulate well beyond TI BiH's conservative prediction. In 2010 alone, the Brod Oil Refinery recorded losses of BAM 372 million and failed to pay BAM 133 million in tax arrears. In 2011, the RS Government extended the grace period for settling these arrears until 2019. Nevertheless, annual losses continued to mount in the hundreds of millions, largely due to borrowing from the parent company on highly uncompetitive terms. Production was halted several times.¹²¹

At the same time, BiH citizens were forced to purchase refinery-supplied fuel at prices above market rates as a consequence of protectionist import duties on petroleum products. Today, the refinery owes dozens of monthly wages to its workers, sells petroleum products of questionable quality at inflated prices and continues to accumulate debt that has long exceeded the market value of the industry itself. Under these conditions, shutting down the refinery would be less costly than maintaining its operations, which now appears to be the inevitable final outcome.¹²²

¹²¹ Srđan Blagovčanin and Boris Divjak: How Bosnia's Political Economy Holds It Back And What to Do About It?, J. Hopkins University, Washington DC, 2015, p. 11, available at: https://ti-bih.org/wp-content/uploads/2015/10/How_Bosnias_Political_Economy_Holds_It_Back_And_What_to_Do_About_It.pdf (accessed on 20 October 2025)

¹²² Ibid.

Coordination Mechanism in the EU Integration Process

The issue of a coordination mechanism resurfaced in 2011 following an explicit request from the EC to strengthen coordination, or more precisely, to establish a coordination mechanism linking the state, entity and Brčko District levels on matters related to EU integration and harmonisation, as well as the transposition of legislation.¹²³ While it could arguably have seemed that this issue had, to an extent, already been resolved during the preparations for the SAA negotiations, through the establishment of the DEI and the CoM's adoption of the Decision on achieving coordination which relied on statutory provisions defined in the Law on Ministries and Other Bodies of Administration of BiH, the EC did not share this view.¹²⁴

At the High Level Dialogue on the Accession Process with BiH, held on 27 June 2012 in Brussels and organised by Štefan Füle, EU Commissioner for Enlargement, BiH's political leaders¹²⁵ agreed to and undertook the following commitments regarding the coordination mechanism:

- “to ensure that positions communicated to the EU Institutions reflect the discussions with all competent institutions and authorities in BiH, following effective coordination. A functioning coordination mechanism needs therefore to be put in place;
- as a follow-up to the high-level dialogue on the accession process, the Council of Ministers of BiH and the Governments of FBiH, including the Cantons, of RS and of the Brčko District of BiH should engage in a dialogue in order to agree on an effective coordination mechanism for engagement with the EU which will enable BiH to come to an agreed position on EU issues so as to speak with one voice and to present a proposal on a Coordination mechanism on EU matters by 31 October 2012.”¹²⁶

¹²³ European Commission, Commission Staff Working Paper Bosnia and Herzegovina 2011 Progress Report, *Accompanying the document* Communication from the Commission to the European Parliament and the Council, Enlargement Strategy and Main Challenges 2011–2012, Brussels, 12 October 2011 SEC(2011), available at: https://enlargement.ec.europa.eu/document/download/97b589a7-7a07-45b2-bfbc-395ea50d5e03_en?filename=ba_rapport_2011_en.pdf (accessed on 1 October 2025)

It is important to emphasise that the coordination mechanism in place at the time, which was recognised during the meeting as being inefficient, is governed by the Law on Ministries and Other Bodies of Administration of BiH.¹²⁷ This law stipulates, *inter alia*, in Article 9 that the Ministry of Foreign Trade and Economic Relations bears responsibility for tasks falling within the jurisdiction of BiH concerning the formulation of policy, the establishment of fundamental principles, the coordination of activities and the harmonisation of plans of entity authorities and institutions at the international level in areas including agriculture, energy, environmental protection, the development and utilisation of natural resources and tourism.

- 124 Law on Ministries and Other Bodies of Administration of Bosnia and Herzegovina (Official Gazette of BiH, nos. 5/03; 42/03; 26/04; 42/04; 45/06; 88/07; 35/09; 59/09; 103/09; 87/12; 6/13; 19/16; 83/17)
Decision of the Council of Ministers on the manner of achieving coordination in the process of BiH's accession to the EU (Official Gazette of BiH, no. 44/03)
- 125 From BiH, the following individuals attended: Chairman of the Presidency of BiH, Bakir Izetbegović; Chairman of the Council of Ministers of BiH, Vjekoslav Bevanda; President of the SDP BiH, Zlatko Lagumdžija; President of the RS and SNSD, Milorad Dodik; President of the SBB BiH, Fahrudin Radončić; President of the HDZ BiH, Dragan Čović; President of the HDZ 1990, Božo Ljubić; President of the SDA, Sulejman Tihić; and President of the SDS, Mladen Bosić.
- 126 Response of the CoM to Nermina Zaimović-Uzunović, Member of Parliament in the House of Representatives of the Parliamentary Assembly of BiH, delivered at the 50th session of the House of Representatives held on 18 July 2013.
- 127 Law on Ministries and Other Bodies of Administration of Bosnia and Herzegovina (Official Gazette of BiH, nos. 5/03; 42/03; 26/04; 42/04; 45/06; 88/07; 35/09; 59/09; 103/09; 87/12; 6/13; 19/16; 83/17)
- 128 Law on the Council of Ministers of Bosnia and Herzegovina (Official Gazette of BiH, nos. 38/02; 30/03; 42/03; 81/06; 81/06; 76/07; 81/07; 24/08) specifies in Article 23 the competences of the Directorate for EU Integration: (1) The Directorate for EU Integration shall perform in particular the tasks and duties relating to the coordination of activities of the authorities in BiH, supervision of the implementation of decisions taken by responsible institutions of BiH concerning all relevant activities required for European integration. (2) The Directorate shall participate in the preparation of drafts, policy proposals, laws, other regulations and guidelines relating to the carrying out of tasks that BiH is obliged to undertake in order to join the process of European integration. (3) The Directorate shall also perform other activities concerning the launching of initiatives and the giving of advice concerning issues of harmonisation of processes and activities of the authorities in BiH concerning the implementation of obligations directed towards European Integration. (4) The Directorate for EU Integration shall also perform other activities as tasked by the Council of Ministers or the Chairman of the Council of Ministers.

This clearly covers the subject matter of clusters 3, 4 and 5. The responsibilities of other ministries in relation to coordination are similarly regulated under the same law. Furthermore, the Law on the Council of Ministers, which outlines the mandate of the Directorate for European Integration, specifies that this Directorate is particularly tasked with coordinating the activities of government bodies in BiH, overseeing the implementation of decisions taken by competent institutions and carrying out all necessary activities in support of European integration.¹²⁸

Similarly, the 2003 Decision of the CoM on the method of achieving coordination in the process of BiH's accession to the EU establishes that the Directorate for European Integration is responsible for coordinating all activities in the European integration process through European Integration Coordinators appointed at the entity and District levels.¹²⁹ From a functional perspective, this raises questions regarding the rationale behind the EC's insistence on creating an additional, parallel coordination structure.

Following the EC's request, the Council of Ministers of BiH appointed a working team in October 2012 to draft a document on the coordination mechanism.¹³⁰ After slightly more than six months since its formation, it

¹²⁹ Decision of the Council of Ministers on the manner of achieving coordination in the process of BiH's accession to the EU (Official Gazette of BiH, no. 44/03)

¹³⁰ "Decision on the Appointment of the Team for Drafting the Document on the Coordination Mechanism of BiH in the Processes of European Integration", adopted at the 23rd session held on 16 October 2012.

¹³¹ In letter no. 01-504-3029-19113 dated 23 April 2013, the Head of the Team for Drafting the Document on the Coordination Mechanism of BiH in the Processes of European Integration submitted to the Chairman of the CoM, the Prime Minister of the entities and the Mayor of BD the key points of disagreement among team members on which no consensus was achieved:

1. participation of cantons – direct or indirect involvement of cantons; 2. decision-making by consensus at all levels or only at the highest level – the collegium; 3. political advisors – completely eliminating them or merging them into existing bodies, with the aim of reducing the number of bodies, while maintaining political oversight of the process from the professional side; 4. chairmanship of working groups and ministerial conferences – whether the chairmanship of working groups should be only at the state level or combined – state, entity and cantonal levels; 5. ministerial conferences – unclear role, function and existence.

became evident that the working team had failed to reach agreement on the contents of the coordination mechanism document.¹³¹

As a result of the inability of the BiH authorities to reach an agreement, the EU Foreign Affairs Council adopted conclusions on BiH on 15 December 2014, which, among other elements, included the requirement to establish a coordination mechanism along with a package of other reforms. The conclusions further stipulated that the entry into force of the Stabilisation and Association Agreement would be conditional upon the adoption of a written statement by the BiH Presidency, confirming its commitment to the implementation of the reform package, including the establishment of the coordination mechanism, with the statement to be subsequently endorsed by the BiH Parliament and political leaders.¹³² The Presidency adopted the required statement on 29 January 2015, and the Parliamentary Assembly of BiH adopted a decision endorsing the statement on 23 February 2015.¹³³

Initially, the Decision on the coordination system was adopted at the CoM session held on 26 January 2016 and published in the Official Gazette.¹³⁴ However, due to opposition from the ruling parties at RS level, which demanded a more significant role for the entities, the adopted arrangement was set aside and additional harmonisation was initiated. This process concluded with the signing of an agreement between the chair of the CoM and the entity prime ministers, or their respective party leaders, under the auspices of the EU Delegation to BiH at the end of July 2016. The agreement envisaged the participation of cantons within working groups for European integration, as well as the possibility of challenging decisions made at higher levels of the coordination system where the cantons are not represented. This provision resulted in objections raised by HDZ representatives. The final agreement on the coordination system was subse-

¹³² Council of the European Union, Press Release 3361st Council meeting Foreign Affairs Brussels, 15 December 2014 available at: <https://data.consilium.europa.eu/doc/document/ST-16928-2014-INIT/en/pdf> (accessed on 2 October 2025)

¹³³ Statement of the Presidency of BiH, no. 01-50-1-351-15/15; Decision of the Parliamentary Assembly of BiH (Official Gazette of BiH, no. 16/15)

¹³⁴ Decision on the system of coordination in the process of European integration in Bosnia and Herzegovina (Official Gazette of BiH, no. 08/16)

quently adopted in August of the same year, based on a model ensuring the involvement of all levels of government in every body participating in the mechanism.¹³⁵

The agreed decision on the coordination mechanism envisages a highly complex structure involving more than 1,400 civil servants from 14 governments across all administrative levels, with the DEI serving as its secretariat. The mechanism comprises 36 working groups that cover all chapters of the *acquis*, in addition to the political and economic criteria. All decisions within the bodies of the coordination system are taken by consensus, requiring full alignment of positions among all members of the respective coordination body for a decision to be adopted. To address potential obstacles in the decision-making process, a provision exists for reviewing decisions within ten days of their adoption or for escalating contentious issues to higher levels within the coordination structure. Consequently, the model is constructed so that the working groups for European integration function as the initial point for deliberation and decision-making, while disputed matters or decisions requiring review may be referred first to the Commission for European Integration, then to the relevant ministerial conference and ultimately to the Collegium for European Integration.

In its analytical opinion from May 2019, the EC observes that the coordination mechanism requires improvement, drawing on the lessons learned during the completion of the questionnaire that BiH was required to submit following its application for membership, which served as the basis for the EC to prepare its opinion on the application.¹³⁶ Despite the existence of the coordination mechanism, BiH was unable to reach agreement on responses to 22 questions. Within the recommendations accompanying

¹³⁵ Decision on the system of coordination in the process of European integration in Bosnia and Herzegovina (Official Gazette of BiH, no. 72/16)

¹³⁶ European Commission, Commission Staff Working Document Analytical Report Accompanying the document Communication from the Commission to the European Parliament and the Council Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union (COM(2019) 261 final) Brussels, 29 May 2019 SWD(2019) 222 final, available at: <https://enlarge-ment.ec.europa.eu/system/files/2019-05/20190529-bosnia-and-herzegovina-analytical-report.pdf> (accessed on 2 October 2025)

the EC's opinion on the membership application, the improvement of the coordination mechanism was included among the 14 priorities.¹³⁷

As part of the new initiative launched by the EU in 2023, known as the Growth Plan and aimed at accelerating and enhancing the EU integration process, each country was required to develop a corresponding Reform Agenda, with financial incentives to be provided through funding tranches conditioned on the completion of the measures set out in the agenda.¹³⁸ All Western Balkan countries, with the exception of BiH, have successfully prepared and agreed a Reform Agenda with the EU. The draft Reform Agenda for BiH, which has yet to be agreed in the segment of fundamental reforms, once more identifies the need to improve the coordination mechanism and envisages activities such as conducting a functional review of the mechanism and preparing a suitable roadmap for its improvement, including upgrades to the legal framework.¹³⁹

Nevertheless, instead of relying on the existing coordination mechanism, a separate structure was created specifically for the development of the Reform Agenda linked to the Growth Plan. Once the EC officially released the Growth Plan, BiH promptly commenced the preparation of a reform plan, namely the Reform Agenda envisaged under this initiative. In November 2023, the CoM designated an ad hoc body responsible for drafting the Reform Plan for the implementation of the Western Balkans Growth Plan.¹⁴⁰

In January 2024, acting on the proposal of the Directorate for Economic Planning, the CoM adopted the Information on the activities of the *ad*

¹³⁷ European Commission, Communication from the Commission to the European Parliament and the Council; Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union; {SWD(2019) 222 final} Brussels, 29 May 2019, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0261> (accessed on 2 October 2025)

¹³⁸ European Commission. "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region New growth plan for the Western Balkans". 8 November 2023, available at: https://enlargement.ec.europa.eu/document/download/8f5dbe63-e951-4180-9c32-298cae022d03_en?filename=COM_2023_691_New%20Growth%20Plan%20Western%20Balkans.pdf (accessed on 2 October 2025)

¹³⁹ Draft version of the April 2025 Reform Agenda Document

hoc Working Team for the Reform Plan for the Growth Plan for the Western Balkans, as well as a Proposed decision appointing members of the Working Team responsible for developing the Reform Plan for the implementation of the Growth Plan.¹⁴¹ This indicates that the coordination mechanism is effectively not utilised and that *ad hoc* solutions are instead repeatedly introduced, proving equally ineffective. This case further highlights a recurring shortcoming in the EU's conditionality approach, where requirements are set without adequate follow-up to ensure their implementation, functionality or justification. As a result, once it becomes clear that the lengthy procedures are not yielding results, alternative approaches are adopted that frequently introduce new complications rather than resolving the original problems.

140 Announcement from the Session – CoM appoints an *ad hoc* working body to draft the Reform Plan – 30th Session, 27 November 2023

Members of this body include the Chairperson of the CoM, the State Ministers of Foreign Trade and Economic Relations, Communications and Transport, and Finance and Treasury, the Directors of the Directorate for European Integration of BiH and the Directorate for Economic Planning of BiH, as well as representatives of the Governments of FBiH and RS, specifically the Ministry of Finance of RS. The working body was tasked with drafting the BiH Reform Plan for the Western Balkans Growth Plan by the meeting in Brussels on 6 December 2023. In the next phase, this *ad hoc* working body would be succeeded by teams responsible for preparing a package of projects to be financed by the European Union under the Western Balkans Growth Plan.

141 The Decision establishes the Working Team as a temporary body comprising representatives from all levels of government in BiH, tasked with developing the Reform Plan for the implementation of the Growth Plan. The Working Team consists of the Chairperson and Deputy Chairperson of the CoM, the Minister of Foreign Trade and Economic Relations of BiH, the Ministers of Justice, Finance and Treasury and Communications and Transport, the Entity Prime Ministers and Ministers of Finance, the Prime Ministers of all ten cantons and the Mayor of the Brčko District, as well as the Directors of the Directorate for Economic Planning (DEP) and the Directorate for European Integration (DEI). Administrative and technical support for the Team's activities is provided by DEP. The Working Team is chaired by the Chairperson of the CoM. (Decision on the Appointment of Members of the Working Team in BiH for Developing the Reform Plan for the Implementation of the Growth Plan for the Western Balkans, Official Gazette of BiH, no. 8/24).

Structured Dialogue on Justice

In April 2011, the National Assembly of RS approved the initiative put forward by the President of RS, Milorad Dodik, to conduct a referendum within the entity regarding the Court of BiH and the Prosecutor's Office of BiH. The referendum question read: "Do you support the laws imposed by the High Representative of the international community in BiH, specifically those concerning the Court of BiH and the Prosecutor's Office of BiH and their unconstitutional endorsement by the Parliamentary Assembly of BiH?"¹⁴²

This development represented the culmination of orchestrated and systematic efforts by the RS authorities to undermine the functioning of the judiciary. The situation originated in February 2009, when the Prosecutor's Office of BiH launched an investigation after receiving a report from SIPA, which indicated suspicions against Milorad Dodik, six ministers of the RS Government, six officials and directors of public institutions, as well as Slobodan Stanković, co-owner and director of *Integral Inženjering*, and his wife, for organised crime, abuse of office, money laundering and tax evasion. SIPA asserted in the report that legal violations caused damage to the RS budget in the amount of approximately BAM 115 million during the construction of the Government building and the RS Radio and Television building in Banja Luka, as well as the Gradiška–Banja Luka motorway section. According to the report, the suspects used their authority to afford *Integral Inženjering* preferential treatment and multimillion-BAM profits. Investigators further observed that the prices for motorway works were considerably inflated and contractual penalties were absent despite delays, whereas procurement for the RS Government building displayed serious irregularities, including waste bins priced at BAM 1,733.76 and table ashtrays BAM 1,293.51.¹⁴³ These issues were also flagged by the Supreme Audit Office of the RS Public Sector and by Transparency International BiH.

¹⁴² Deutsche Welle, "RS se igra države", 14 April 2011, available at: <https://www.dw.com/hr/republika-srpska-se-igra-drzave/a-14988671> (accessed on 2 October 2025)

¹⁴³ Center for Investigative Reporting, "Special Prosecutor Abandons Investigation into Milorad Dodik", 28 December 2011, available at: <https://cin.ba/en/special-prosecutor-abandons-investigation-into-milorad-dodik/> (accessed on 2 October 2025)

Once the referendum initiative passed in the RS National Assembly, developments unfolded rapidly. Catherine Ashton, then EU High Representative for Foreign Affairs and Security Policy, travelled to Banja Luka in May 2011 to meet with the RS President, Milorad Dodik. After the meeting, Dodik stated that RS and its institutions could be assured that the EU was prepared to engage at the highest level and launch a structured dialogue on justice in BiH, rendering a referendum on the state-level judiciary no longer necessary.¹⁴⁴

The first session of the Structured Dialogue on Justice took place less than a month later, in June 2011, at the political level, with the participation of the then European Commissioner for Enlargement, Štefan Füle, the EU delegation and representatives of both the state and entity authorities in BiH.¹⁴⁵

Simultaneously, the investigation against Dodik and 15 other individuals led by the BiH Prosecutor's Office was separated in early June 2011, with the portion concerning Dodik transferred to the RS Special Prosecutor's Office. The remaining part of the case, related to money laundering and tax evasion, remained under the jurisdiction of the BiH Prosecutor's Office. In December 2011, the RS Special Prosecutor's Office suspended the investigation against Dodik, then President and former Prime Minister of RS, and six other entity officials, citing insufficient evidence, despite serious allegations of abuse of office and multimillion-BAM damage to the RS budget.¹⁴⁶ Notably, this decision coincided with the political agreement on the appointment of the CoM, following more than a year of institutional blockade caused by Dodik and his SNSD party under claims of defending the Dayton Agreement. This sequence of events underscores a pattern in

¹⁴⁴ Deutsche Welle, Dodik: referendum nije neophodan, 13 May 2011, available at: <https://www.dw.com/bs/dodik-referendum-nije-neophodan/a-15073659> (accessed on 2 October 2025)

¹⁴⁵ Radio Slobodna Evropa, "Banja Luka: Počinje strukturalni dijalog o reformi pravosuđa", 6 June 2011, available at: <https://www.slobodnaevropa.org/a/24216541.html> (accessed on 2 October 2025)

¹⁴⁶ Center for Investigative Reporting, "Special Prosecutor Abandons Investigation into Milorad Dodik", 28 December 2011, available at: <https://cin.ba/en/special-prosecutor-abandons-investigation-into-milorad-dodik/> (accessed on 2 October 2025)

¹⁴⁷ Deutsche Welle: "Otkud odjednom dogovor lidera?", Dragan Maksimović, 29 December 2011, available at: <https://www.dw.com/bs/otkud-odjednom-dogovor-lidera/a-15635470>

which institutional blockades and appeals to constitutional authority are instrumentalised for personal goals.¹⁴⁷ The timing of the withdrawal of the referendum initiative, the launch of the Structured Dialogue, the appointment of the CoM and the termination of the investigation against Dodik raises serious doubts that these developments are merely coincidental.

The Structured Dialogue continued until 2018, when it concluded as abruptly as it had begun. The EC's withdrawal from the drafting of the Law on the Court of BiH – widely seen as a key component of the Structured Dialogue on Justice – along with the failure to adopt amendments to the Law on the HJPC, represents an implicit acknowledgment of the initiative's failure. To date, however, the EC has refrained from commenting on the implications of this decision for the future of the Structured Dialogue. There has been no public discussion by the EC on this matter, nor was it addressed in the Commission's 2018 Report for BiH.

The circumstances surrounding the end of the Structured Dialogue are quite telling. The EC delegation, led by the Director for the Western Balkans at DG NEAR, Genoveva Ruiz Calavera, agreed with ministers that BiH authorities would prepare a draft Law on the Courts of BiH in line with the 2016 recommendations of EU legal experts. However, in a subsequent letter to Calavera, the BiH Minister of Justice, Josip Grubeša, forwarded a draft law that reflected the positions of RS and HDZ, diverging from what had previously been agreed.

In a letter to Grubeša dated 4 August 2018, Calavera, in an unusually firm statement, emphasised that the agreed task – specifically, the transposition of the fundamental principles of the EU *acquis* into the draft law – was “encountering difficulties that are political rather than legal. Therefore, political responsibility must be borne by those who fail to work constructively towards a satisfactory solution”.

In the same letter, Calavera further stated: “In the absence of the necessary political will from the parties, the EC does not consider it appropriate, at this stage, to continue facilitating discussions on the criminal jurisdiction of the Court of BiH, which have thus far entailed a considerable use of EU taxpayers' funds for the development of professional capacities”.¹⁴⁸

Following the final collapse of the Structured Dialogue, the EC launched the “EU initiative to enhance the monitoring of the Rule of Law in BiH” in March 2019, aimed at addressing the root causes of weaknesses within BiH’s rule of law system. The initiative sought to improve the monitoring of rule of law reforms and their implementation, and to strengthen accountability within the system, while fully respecting judicial independence. It encompasses the entire rule of law system, including courts, prosecutors’ offices and law enforcement agencies. Under this initiative, a group of independent senior rule of law experts, led by Reinhard Priebe, was commissioned to prepare a report containing actionable recommendations.¹⁴⁹ The report concludes that “[t]he group has chosen to criticise – even strongly – the current situation, because it deems it necessary to say things clearly and in a manner which leaves no room for doubt as to the group’s message”. The report further includes a series of appropriate recommendations for improving the situation. The EC’s 2024 Report on BiH notes that only very limited progress has been made in judicial reform and highlights persistent and evident signs of the judiciary’s deterioration, calling for urgent corrective action.¹⁵⁰

In the EC’s opinion of May 2019 on BiH’s application for EU membership, the 14th priority once again highlighted two key issues previously discussed and agreed upon within the framework of the Structured Dialogue on Justice, namely the Law on the Court of BiH and the Law on the HJPC.¹⁵¹

¹⁴⁸ Letter by DG NEAR Western Balkans Director, Genoveva Ruiz Calavera, to Minister of Justice of BiH, Josip Grubeša, Brussels, 4 August 2017

¹⁴⁹ Expert Report on Rule of Law issues in Bosnia and Herzegovina Brussels, 5 December 2019, available at: <https://www.eeas.europa.eu/sites/default/files/documents/2024/ExpertReportonRuleofLawissuesinBosniaandHerzegovina.pdf> (accessed on 2 October 2025)

¹⁵⁰ European Commission Staff Working Document Bosnia and Herzegovina 2024 Report *Accompanying the document*; Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Brussels, 30 October 2024, available at: https://enlargement.ec.europa.eu/document/download/451db011-6779-40ea-b34b-a0eeda451746_en?filename=Bosnia%20and%20Herzegovina%20Report%202024.pdf (accessed on 2 October 2025)

As part of the new initiative launched by the EU in 2023, known as the Growth Plan and aimed at accelerating and enhancing the EU integration process, each country was required to develop a corresponding Reform Agenda, with financial incentives to be provided through funding tranches conditioned on the completion of the measures set out in the agenda.¹⁵² All Western Balkan countries, with the exception of BiH, have successfully prepared and agreed a Reform Agenda with the EU. The draft Reform Agenda for BiH, which has yet to be agreed in the segment of fundamental reforms, once again includes the adoption of the Law on the Court of BiH and the Law on the HJPC.¹⁵³

¹⁵¹ European Commission, Communication from the Commission to the European Parliament and the Council; Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union, Brussels, 29 May 2019, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0261> (accessed on 2 October 2025)

¹⁵² European Commission. "Communication from the Commission: New growth plan for the Western Balkans". Office for Official Publications of the European Communities, 8 November 2023, available at: https://enlargement.ec.europa.eu/system/files/2023-11/COM_2023_691_New%20Growth%20Plan%20Western%20Balkans.pdf (accessed on 2 October 2025)

¹⁵³ Draft version of the April 2025 Reform Agenda Document

Anti-Corruption Reforms: One Step Forward, Two Steps Back

The subsequent attempt to develop a strategic framework for anti-corruption efforts, following the OHR's initial strategy, was undertaken within the Medium-Term Development Strategy – also known as the Poverty Reduction Strategy – adopted in 2004. The Anti-Corruption Strategy, incorporated as an integral part of this document, defined several objectives: to strengthen the rule of law; promote transparency and accountability within the public sector; restore public trust in public institutions; ensure equal access to public services for all citizens; improve the business environment; and enhance the fight against organised crime.¹⁵⁴ Nevertheless, a World Bank evaluation of its implementation concluded that progress in combating corruption had been unsatisfactory, citing a complete lack of tangible results.¹⁵⁵

BiH's engagement in the European integration process through the SAA brought with it the expectation that the country would begin aligning its legislation with European standards in areas such as the rule of law, transparency and accountability. The EC and other bodies, including GRECO (the Council of Europe's Group of States against Corruption), issued a number of recommendations aimed at strengthening transparency in public procurement, regulating political party financing, ensuring the integrity of public officials and establishing an independent body to coordinate anti-corruption policies.

To formally meet the requirement under the Roadmap towards a Visa Free Regime with BiH,¹⁵⁶ the Law on the Agency for Prevention of Cor-

¹⁵⁴ Medium-term Development Strategy of BiH 2004, available at: http://www.dep.gov.ba/dokument_i_politika/srednjorocna_razvojna_strategija/default.aspx?id=133&langTag=en-US (accessed on 2 October 2025)

¹⁵⁵ World bank, Bosnia and Herzegovina – Joint IDA-IMF Staff Advisory Note on the Poverty Reduction Strategy Progress Report, 4 June 2007, Report no. 40052, available at: <https://documents1.worldbank.org/curated/en/884211467997630024/pdf/40052.pdf> (accessed on 2 October 2025)

¹⁵⁶ Visa liberalisation Road map, available at: <https://www.esiweb.org/pdf/White%20List%20Project%20Paper%20-%20Roadmap%20Bosnia.pdf> (accessed on 2 October 2025)

ruption and Coordination of the Fight against Corruption was enacted, establishing the Agency (APIK).¹⁵⁷ However, rather than becoming a driving force for anti-corruption reform, the Law on APIK was structured and adopted in a manner that met the formal, but not the substantive, requirements of the EU. Lacking adequate powers and capacities – and despite the efforts of domestic civil society, the EU and other international actors to reinforce its role – the Agency proved ineffective, remaining a mere paper tiger devoid of real purpose or influence in the fight against corruption. From its inception, APIK's powers were severely limited in that it:

- lacked enforcement power to initiate investigations or impose sanctions;
- served solely a coordinating and advisory function; and
- had its leadership appointed through political compromise, undermining its independence.

Public procurement, an area inherently prone to corruption even in countries with robust institutions, has long featured as a priority on reform agendas, yet only gained genuine attention after an inexplicably long delay, nearly a decade into the state-building process. The first milestone was the adoption of the Public Procurement Law¹⁵⁸ in 2004, followed by amendments in 2007, aligning it with the core EU directives. This law formally introduced the principles of competitiveness, transparency and equal treatment of bidders, and established the Public Procurement Agency of BiH (PPA), tasked with overseeing its implementation. A complaints mechanism was also set up through the Procurement Review Body (PRB), with authority to annul procedures or contracts when warranted. The law was formally consistent with EU directives and the UNCTRAL model, and its primary objective was to create a single, harmonised public procurement system across BiH, following a period characterised by fragmented regulations at the entity level.

¹⁵⁷ Law on the Agency for the Prevention of Corruption and Coordination of the Fight against Corruption (Official Gazette of BiH, no. 103/09)

¹⁵⁸ Law on Public Procurement of Bosnia and Herzegovina (Official Gazette of BiH, no. 49/04)

Although the adoption of the law marked a step forward in establishing a unified public procurement system, practice revealed numerous shortcomings and instances of abuse, as confirmed by analyses conducted by Transparency International BiH, the EC and other organisations.¹⁵⁹ Legal loopholes enabled extensive irregularities, including failure to conduct procedures with legal justification, artificial segmentation of procurements to circumvent transparency requirements and favouritism of bidders through tailored technical specifications. The unjustified use of negotiated procedures without publication (representing a considerable proportion of procurements) was particularly problematic. Other persistent issues included concluding contract annexes beyond the legal framework, deficient planning, lack of transparency and limited cooperation between key institutions (PPA, PRB, courts).

A substantial portion of the EU's efforts to address the problem of corruption has focused on promoting the specialisation of judicial institutions by establishing dedicated prosecutorial departments to combat organised crime and corruption. The primary objective was to ensure the more efficient and politically independent prosecution of high-level corruption. However, contrary to the expectations of international partners, this approach has yielded limited results. By 2012, most cases involved lower-level officials, customs and police officers, as well as local administrators. Reports from the Court of BiH indicate that the number of cases before the Court increased from two first-instance and two second-instance verdicts in 2004 to ten first-instance and seven second-instance verdicts in 2010,¹⁶⁰ though almost all pertained to petty corruption. Only a small number of indictments were brought against ministers or senior political figures, and none resulted in conviction. The same reports show that while the number of convictions rose between 2011 and 2017, it has declined significantly in recent years. Between 2004 and 2024, the Court of BiH issued an average of 10.6 first-instance and 10.4 second-instance verdicts annually, with more than half based on plea agreements.¹⁶¹

¹⁵⁹ Transparency International BiH, Osnovni antikoruptivni standardi za javne nabavke – Analiza BiH i Češka, 2016, available at: https://ti-bih.org/wp-content/uploads/2016/01/Transparency-Publikacija_201.pdf (accessed on 2 October 2025)

¹⁶⁰ Court of BiH, Section II Convictions in corruption cases, available at: <https://www.sudbih.gov.ba/Content/Read/presude-za-koruptivna-krivicna-djela> (accessed on 2 October 2025)

In RS, the Special Prosecutor's Office of RS was established in 2006 within the Banja Luka District Prosecutor's Office, with a mandate to handle organised crime, economic crime and the most serious forms of corruption. However, the anticipated outcomes in terms of prosecuting high-level corruption failed to materialise, as most indictments concerned relatively minor offences. In 2016, the Special Prosecutor's Office of RS was abolished, and its cases and personnel were transferred to the Special Department for Combating Corruption and Organised Crime within the Republic Prosecutor's Office of RS. Although the formal rationale was to enhance efficiency, in practice this restructuring led to a weakening of institutional independence, as the new department became more directly subordinated to the Chief Republic Prosecutor and to political power structures.

In FBiH, the Law on Combating Corruption and Organised Crime was adopted in 2014, providing for the establishment of the Special Department of the Federal Prosecutor's Office as an organisational unit within the Federal Prosecutor's Office of FBiH. The purpose of this law was to promote specialisation, as the cantonal prosecutor's offices were overburdened and insufficiently effective in handling cases of high-level corruption. The Special Department was therefore intended to assume responsibility for handling complex cases in order to improve efficiency. However, implementation of the law was stalled for almost ten years, largely due to the withholding of essential resources, including blocked budget allocations, obstacles in securing suitable premises and delays in the appointment of prosecutors. Additionally, debates have persisted over the constitutional authority of FBiH to prosecute such offences, accompanied by initiatives seeking to return some of these competences to cantonal prosecutors' offices. The Special Department finally began operating in May 2025, after eleven years, which in itself starkly illustrates the absence of genuine political commitment to fighting corruption.

In the same timeframe, there were almost no final convictions of high-ranking officials. The most notable proceedings and investigations against political leaders (such as Dodik, Čović, etc.) failed to produce convictions, ending instead in arbitrary dismissals or acquittals influenced by political pressure and judicial control. This gap between the formally

161 Ibid.

established institutional structure and the absence of tangible results has been the key point of criticism by the international community. The EC has consistently highlighted in its reports that BiH demonstrates a “selective judicial follow-up” and an evident lack of “political will to address high-level corruption”.

The erosion of the independence of institutions such as the High Judicial and Prosecutorial Council (HJPC) has become an increasingly serious concern. This trend is particularly evident in controversial appointments, widespread clientelism and the lack of internal accountability. Consequently, the integrity and independence of the judiciary as a whole have been undermined, leading to numerous scandals involving senior judicial office holders, including the President of the HJPC, Chief Prosecutors and the President of the Court of BiH. As a result, a distinctly selective approach to the prosecution of corruption has emerged, with high-level corruption cases being rarely, if ever, pursued, while some cantonal prosecutors’ offices have handled almost no corruption cases at all.

Simultaneously, the EU has repeatedly warned of the necessity to strengthen the Law on the HJPC by incorporating more robust provisions aimed at safeguarding the integrity and accountability of judicial office holders. However, this process, too, has been effectively stalled for several years, leading to only piecemeal amendments that have failed to close loopholes allowing judges and prosecutors to bypass asset disclosure requirements. Furthermore, the one-year deadline for enacting a comprehensive new Law addressing the independence of the HJPC, the selection of judges and prosecutors and the accountability and efficiency of its operations has long passed. The draft proposals submitted to date continue to prioritise ethnic criteria in appointments, preserve avenues for political influence and further erode mechanisms of accountability for HJPC members.

Although judicial reform has been repeatedly identified as an unquestionable priority, it has become apparent that the judiciary is in a state of complete subordination to political elites. This assessment is consistently confirmed in all relevant reports, including the so-called Priebe Report, as well as in a comprehensive diagnostic analysis study by a team of experts coordinated by the Open Society Fund.¹⁶²

Similarly, the integrity of the electoral process – an undoubtedly crucial factor that ultimately determines the nature of the regime in the country – is directly shaped by the presence and pervasiveness of corruption. The key shortcomings affecting electoral integrity can be broadly divided into two categories: those concerning the electoral process in a narrow, technical sense, meaning the actual conduct and administration of elections, and those of a broader nature, stemming from the wider environment and influenced by structural factors. The shortcomings in the narrower sense refer primarily to the functioning and independence of the electoral administration and to the conduct of the elections themselves.

Although the law defines the Central Election Commission (CEC) as an independent institution, in practice it has faced extensive criticism, ranging from claims of significant political influence over its work to direct accusations of obstructing the implementation of the law or enabling irregularities through inaction. National integrity system studies conducted by TI BiH have for years highlighted political pressure and interference affecting the CEC's functioning. On one hand, the selection of CEC members depends on the ruling majority and political parties, whose activities the CEC is meant to supervise and regulate. Consequently, there have been long-standing allegations that CEC members maintain ties with those very parties. On the other hand, pressure is also exerted through open attacks by ruling party leaders, who question the institution's legitimacy, withhold resources for its operations and even deny funding for the conduct of elections. The intensity of such pressures has varied according to the balance of influence within the CEC and reached its peak following the 2020 appointment of its members, as the selection was not carried out through the regular procedure – meaning that the ruling parties at the state level had limited influence over the outcome. Specifically, due to the failure of the competent parliamentary committee to initiate the appointment procedure for four CEC members within the legal timeframe,

162 S. Blagovčanin, E. Hodžić, S. Sali Terzić, *The Blindfolding Justice in Bosnia and Herzegovina*, Open Society Fund BiH, 2021, available at: https://osfbih.org.ba/images/Progs/17+/LP/Pubs/ls_justice_in_BiH_really_blind.pdf (accessed on 2 October 2025)

Expert Report on Rule of Law issues in Bosnia and Herzegovina Brussels, 5 December 2019, available at: <https://www.eeas.europa.eu/sites/default/files/documents/2024/ExpertReportonRuleofLawissuesinBosniaandHerzegovina.pdf> (accessed on 2 October 2025)

the Election Law allowed the House of Representatives to make direct appointments. In March and May 2020, the House appointed five members, three of whom were new. Although some had previous direct or indirect links to political parties, these were not parties within the ruling majority, nor had they previously influenced the work of the CEC. This caused dissatisfaction among two ruling political parties, HDZ BiH and SNSD, prompting public disputes over the legitimacy of the procedure and the composition of the CEC itself, despite the Court of BiH confirming the legality of the appointments. Subsequently, pressure intensified through obstruction of CEC funding, as well as threats, insults and attacks on CEC members following decisions concerning electoral irregularities, with one member even having to receive police protection. The decisions of the CEC continue to be publicly challenged by the highest representatives of the legislative and executive branches, who frequently question its authority. Such pressures have also included threats to dismiss CEC members, despite the fact that the grounds for dismissal are strictly defined by law.¹⁶³

There is growing criticism of the functioning of election administration at lower levels, particularly municipal election commissions (MECs) and polling station committees (PSCs). These structures are subject to even stronger political influence, as their members are appointed by municipal assemblies or councils, making the composition of polling station committees directly dependent on political parties. This situation raises serious concerns, especially given the entrenched practice among political parties of exchanging seats at polling stations to secure full control over specific locations on election day. The scale of electoral irregularities is reflected in the CEC's own report on the 2022 general elections, which

¹⁶³ Transparency International in Bosnia and Herzegovina: National Integrity System Assessment: Bosnia and Herzegovina 2023, available at: <https://ti-bih.org/wp-content/uploads/2024/04/TIBIH-NIS-2023-ENG-Web-FIN4.pdf> (accessed on 1 October 2025)

¹⁶⁴ Federalna.ba, "CIK BiH: Više od 1.000 biračkih odbora nije ispunilo propisane obaveze" 5 October 2022, available at: <https://federalna.ba/cikbih-vise-od-1000-birackih-odbora-nije-ispunilo-propisane-obaveze-t0grc> (accessed on 3 October 2025)

¹⁶⁵ Koalicija Pod lupom, "Četrdeset devet optuženih za izborne prevare na izborima u Doboju", June 2022, available at: <https://podlupom.org/press-kutak/vijesti/cetrdeset-devet-aptuzenih-za-izborne-prevare-na-izborima-u-doboju/> (accessed on 3 October 2025)

revealed that more than one thousand polling stations across over sixty municipalities and cities failed to meet their legally prescribed duties. As a result, the CEC was forced to issue orders for the opening of ballot bags at approximately one thousand polling stations.¹⁶⁴ Equally telling is the example of Dobož during the 2018 local elections, where repeated voting due to detected irregularities led to a discrepancy of up to 18,000 votes in favour of the ruling party. This case vividly illustrates the existence of coordinated and systematic actions amounting to a criminal association with the intent to commit electoral fraud.¹⁶⁵

The findings of election campaign monitoring conducted by Transparency International BiH revealed that systematic measures were undertaken to influence voter preferences through the distribution of one-time budget transfers targeting youth, veterans, pensioners and employees of public enterprises. Nearly BAM 300 million in such transfers were disbursed immediately prior to the 2022 elections. In addition, the value of inaugurated or announced infrastructure works exceeded BAM 1 billion.¹⁶⁶ Although amendments to the Election Law were imposed before the 2022 general elections to prohibit the trading of PSC seats, and later amendments introduced provisions ensuring the independence of PSC presidents and alternate presidents, no effective mechanisms were established to monitor compliance with these provisions. Independent observers reported that the practice of exchanging mandates persisted, while some local election commissions continued to manipulate their composition by appointing party members to PSCs under the guise of representing the local election commission.¹⁶⁷

Despite years of efforts and repeated recommendations from all relevant stakeholders highlighting the urgent need to strengthen the integrity of the electoral process through amendments to the electoral legislation, consensus remained elusive. Inter-ministerial working groups tasked

¹⁶⁶ Transparency International BiH, Election Campaign Monitoring, 2022 General Elections, June 2023, available at: https://ti-bih.org/wp-content/uploads/2023/07/Monitoring-izborne-kampanje-iz-bori-2022_prijevod_ENG.pdf (accessed on 3 October 2025)

¹⁶⁷ Transparency International in Bosnia and Herzegovina: National Integrity System Assessment: Bosnia and Herzegovina 2023, available at: <https://ti-bih.org/wp-content/uploads/2024/04/TIBIH-NIS-2023-ENG-Web-FIN4.pdf> (accessed on 1 October 2025)

with drafting legislative amendments were established on several occasions and across multiple parliamentary terms of the BiH PA. However, all resulting changes were merely technical and cosmetic in nature, while substantive reform was obstructed by several key “stumbling blocks”:

- The issue of so-called legitimate representation in the Presidency of BiH and the House of Peoples, strongly advocated by HDZ BiH and supported by certain other actors, as a result of which the judgments of the European Court of Human Rights and the Constitutional Court of BiH – Intended to eliminate discrimination within the BiH electoral system – have never been implemented;
- The general consensus among ruling parties to maintain control over the appointment of the election administration (ranging from members of the CEC and MECs to PSCs), resulting in a lack of support for reforms aimed at improving the integrity of the electoral process.

In various attempts to achieve electoral reform, international actors adopted differing approaches, ranging from a maximalist stance advocating a root-and-branch reform addressing both the ECtHR rulings and the need to strengthen electoral integrity, to a compromise position seeking only limited, so-called “technical” changes.

In its 2019 Opinion, the EC identified among its 14 key priorities the first as: “Ensure that elections are conducted in line with European standards by implementing OSCE/ODIHR and relevant Venice Commission recommendations, ensuring transparency of political party financing, and holding municipal elections in Mostar”. In 2021, a new Inter-Ministerial Working Group was formed to prepare amendments to the electoral legislation, but for the first time, representatives of the CEC were not included. In response to this exclusion, the CEC submitted its own proposal for amending the law. At the same time, the process of seeking agreement shifted towards negotiations among political party leaders, who presented their own proposals aligned with their respective political agendas. During this period, the US and EU delegations, led by the US Special Envoy, Matthew Palmer, and the Director for the Western Balkans at the European External Action Service, Angelina Eichhorst, initiated “formal” negotiations with party representatives in an effort to reach consensus on electoral reform. These negotiations, however, were conducted outside institutional frameworks, behind closed doors, lacking basic transparency regarding the

proposed solutions and accompanied by inconsistent and often contradictory statements from the negotiating parties. Despite months of intensive efforts and numerous meetings held in restaurants, mansions and hotels across BiH, coupled with repeated optimistic announcements that an agreement was within reach, the international delegations ultimately acknowledged that no agreement had been achieved and withdrew from the negotiations.¹⁶⁸

This failed attempt paved the way and provided the justification for the High Representative to intervene on multiple occasions by imposing amendments to the Election Law. The first set of amendments was imposed just two months before the 2022 general elections. At the time, TI BiH warned that this constituted a “violation of the fundamental principle that regulations affecting the conduct of elections should not be changed once elections have been called”, further noting that, given the short timeframe, the amendments could seriously hinder the election administration’s ability to implement them and, by generating legal uncertainty, cause additional complications in the conduct of the elections.¹⁶⁹ Moreover, apart from the penal provisions, the imposed changes did not result in any substantive improvement of the electoral process, delivering only superficial and piecemeal solutions that disregarded proposals previously prepared by relevant institutions and organisations. In response to this situation, the High Representative introduced a new set of changes on election day itself, 2 October 2022, which amounted to a *de facto* suspension of the Constitution of FBiH. According to TI BiH, this act ran counter to fundamental democratic standards and the principle of the rule of law, while undermining basic human rights and further exacerbating the institutional and political crisis.

¹⁶⁸ Telegram.hr: “Neumski pregovori nisu potpuno propali. Pokazali su da je dogovor o Izbornom zakonu u BiH moguć samo ako HDZ popusti”. Dragan Markovina, 30 January 2022, available at: <https://www.telegram.hr/politika-kriminal/neumski-pregovori-nisu-potpuno-propali-pokazali-su-da-je-dogovor-o-izbornom-zakonu-u-bih-moguc-samo-ako-hdz-popusti/> (accessed 1 October 2025)

¹⁶⁹ Transparency International in BiH: “TI BiH strongly condemns the imposition of amendments to the Election Law”, 28 June 2022, available at: <https://ti-bih.org/ti-bih-strongly-condemns-the-imposition-of-amendments-to-the-election-law/?lang=en> (accessed on 1 October 2025)

A new intervention followed in March 2024, when the High Representative enacted a comprehensive decision amending the Election Law of BiH, with the stated aim of ensuring the necessary technical and organisational conditions for fair and transparent elections, without interfering in the political substance of the BiH electoral system. In its Preliminary Conclusions on the 2024 Local Elections in BiH, the International Election Observation Mission noted that these latest amendments partially addressed certain international recommendations but expressed concern over inconsistencies stemming from the lack of an inclusive and broad consultation process. Among the most significant 2024 amendments to the Election Law were: a ban on all forms of premature campaigning; an obligation for political entities to submit interim financial reports; a requirement to use a separate bank account for all income and expenditure related to campaign financing; the obligation to appoint presidents and alternate presidents of polling stations who are not politically affiliated; the gradual introduction of ICT; an expanded definition of the misuse of public resources; a ban on candidacy for individuals convicted by international or domestic courts of genocide, crimes against humanity or war crimes; and increased financial penalties aimed at achieving a stronger deterrent effect.

Although the stated objective was to enhance transparency and accountability, the amendments relating to the conduct of election campaigns and the prevention of the misuse of public resources fell short of implementing recommendations on proportionate and dissuasive sanctions. According to monitoring conducted by civil society organisations, the CEC readily imposed numerous fines for premature campaigning, while sanctions for the misuse of public resources were applied far less frequently.¹⁷⁰ The OHR declined to issue an official opinion on measures addressing the misuse of public resources, despite TI BiH's request, submitted in response to the CEC's inconsistent sanctioning practices. The introduction of a database for complaints and procedures partially met earlier recommendations. However, the failure to include a legal requirement for publishing decisions on complaints represented a missed opportunity to reinforce transparency.

A similar situation occurred with the Law on Political Party Financing. Despite consistent international recommendations and initiatives by civil society and the CEC, this legislation has never undergone meaningful re-

form, leaving numerous recommendations unimplemented. While some amendments to secondary legislation have marginally improved the transparency of reporting, fundamental issues remain unresolved, such as those related to oversight of regular expenditures, the CEC's institutional capacity and competences, and the requirement for political entities to operate through a single bank account. Proposals to amend the law and address these issues are routinely excluded from the legislative agenda.

The erosion of anti-corruption safeguards has become an increasingly prevalent trend. Following the initial adoption of the state-level Law on Conflict of Interest in 2002, the subsequent regulation of this area moved towards fragmentation, resulting in the adoption of separate laws at the state, entity and cantonal levels. This fragmentation created inconsistencies among legal frameworks and established varying rules and restrictions depending on the jurisdiction from which public office holders derive their mandates. The entities enacted their own conflict of interest laws in 2008. While the CEC remained responsible for adjudicating conflict of interest cases in FBiH, the RS Law established a separate Conflict of Interest Commission.¹⁷¹ Moreover, significant differences emerged between these laws, particularly regarding the scope of persons covered, the types of incompatibilities prescribed and the range of available sanctions.

The 2013 amendments to the state-level Law on Conflict of Interest¹⁷² revoked the CEC's mandate to oversee compliance and transferred this responsibility to the newly established Conflict of Interest Commission. However, due to its composition and decision-making procedures, the Commission was itself compromised by a conflict of interest, as its members were parliamentarians ruling on cases involving themselves and their party colleagues. Compounding the problem, decisions required consensus and could be blocked through the use of an ethnic veto. These

¹⁷⁰ Transparency International in BiH: Monitoring izborne kampanje: Lokalni izbori 2024. March 2025, available at: <https://ti-bih.org/wp-content/uploads/2025/03/Monitoring-izborne-kampanje-Izbori-2024-WEB.pdf> (accessed on 28 September 2025)

¹⁷¹ Law on Prevention of Conflict of Interest in Government Bodies of Republika Srpska (Official Gazette of RS, no. 73/08)

¹⁷² Law Amending the Law on Conflict of Interest in Governmental Institutions of Bosnia and Herzegovina (Official Gazette of BiH, no. 87/13)

amendments hollowed out the conflict of interest framework at the BiH level, making its enforcement virtually impossible. Moreover, the Law applied to a highly restricted set of officials and positions and contained numerous other deficiencies. It failed to cover all public office holders or to include clear provisions on the submission and verification of asset declarations, as well as detailed restrictions on the ownership of private companies conducting business with the government. Additionally, the Law prescribed financial sanctions in the form of salary reductions ranging from 30% to 50% of the net monthly wage for periods of 1 to 12 months, alongside symbolic penalties that were inadequate given the social harm caused by conflicts of interest. Although no formal amendments were adopted at the entity level, those laws were never implemented, leaving public office holders in a state of permanent conflict of interest without consequence.¹⁷³ Apart from these legislative shortcomings, the Commission's work was dysfunctional and frequently paralysed by political blockades. This led to prolonged interruptions and a very limited number of resolved cases.

Throughout this period, FBiH failed to enact legislation establishing an authority responsible for enforcing the Law. For over a decade, there has been no institution mandated to rule on conflicts of interest involving public officials in FBiH, including those at the entity, cantonal and municipal levels. Despite this, the authorities in FBiH consistently blocked efforts to pass a new law. At one point, a draft law was submitted for passage by parliament, but was later withdrawn and never reintroduced. In response to this legislative vacuum, some cantonal governments began adopting their own regulations, starting with Sarajevo Canton. However, this approach took a counterproductive turn, contributing to further fragmentation and resulting in inconsistent standards governing the rights and obligations of public office holders. As a result, sanctions for conflicts of interest exist on paper but with little to no enforcement in practice, rendering this anti-corruption mechanism effectively defunct. Only in 2024, after a protracted process and sustained pressure from the EU, was a new Law on the Prevention of Conflicts of Interest finally adopted at the state level.¹⁷⁴

The establishment of mechanisms for the protection of whistleblowers, a key anti-corruption instrument, has yet to be functionally and effectively implemented across all levels of government in BiH. Combined with wide-

spread public distrust in the institutions tasked with providing protection, this has rendered the mechanism largely ineffective in practice.

As previously noted, domestic actors have consistently lacked the political will to advance anti-corruption reforms from the post-war period to the present day. It was international actors who sought to promote and ensure the implementation of anti-corruption measures; however, inconsistent prioritisation of such reforms was also evident in their approach, accompanied by a rather lenient attitude towards enforcing the very standards underpinning these reforms. The international approach to reform was largely based on a form of reverse engineering: replicating models and practices drawn from low-corruption countries, often disregarding local context and the fact that these models emerged from specific political and social processes. As a result, their straightforward replication was unlikely to yield comparable outcomes in a fundamentally different socio-political environment.

Against this backdrop, the simulation of reform is, in fact, an entirely expected outcome. On the surface, a seemingly robust legal and institutional framework for combating corruption is in place, yet it remains so ineffective that it poses no real obstacle to the worsening corruption trends documented by relevant research. Years of unsuccessful anti-corruption initiatives have not only fostered apathy and cynicism among citizens but also reinforced the perception that corruption is an entrenched and nearly insurmountable problem. As a result, many have come to believe that rather than seeking change, they must simply adapt to the prevailing conditions.

173 Transparency International BiH: Anti-Corruption Monitor, available at: <https://acmonitor.ti-bih.org/bs-latn-ba> (accessed on 3 October 2025)

174 Law on Prevention of Conflict of Interest in Institutions at the Level of BiH (Official Gazette of BiH, no. 18/24)

Cyclical Crises Between Integration and Disintegration

As the international community gradually withdrew from the country's operational governance, it left behind a considerable power vacuum that ethno-national political parties pragmatically exploited to establish firm control over key institutions and processes. Cyclical political crises have become a defining feature of the political landscape, while the RS leadership's mantra rejecting the so-called "transfer of competences" from RS to the state level has evolved into a central political narrative, accompanied by an increasingly open challenge to state-level institutions. Dysfunction within FBiH has also become chronic, particularly regarding the issue of legitimate representation in the election of the Croat member of the BiH Presidency, which the largest Croat party continues to dispute as illegitimate. At the same time, the notion of establishing a third entity remains an enduring undercurrent in political discourse, even when not overtly articulated.

In February 2006, following the fall of the previous government in RS, Milorad Dodik was designated to form a new government. The then President, Dragan Čavić – at the time also leader of SDS – described his decision to nominate the leader of the opposing SNSD as prime minister-designate as a sign of political maturity in RS.¹⁷⁵ In hindsight, however, this assessment was starkly at odds with the trajectory that followed. It marked the beginning of two decades of increasingly authoritarian personal rule by Dodik, who over time moved between positions – from Prime Minister, to President of RS and later to member of the BiH Presidency. Yet, regardless of the office he held, political power remained firmly concentrated in his hands.

Several key factors converged to facilitate the consolidation of Dodik's rule, most notably the privatisation of Telekom RS, completed shortly after his return to power.¹⁷⁶ The substantial proceeds from the sale, amounting

¹⁷⁵ Radio Slobodna Evropa, "Dodik novi mandatar", 4 February 2006, available at: <https://www.slobodnaevropa.org/a/658752.html> (accessed on 3 October 2025)

¹⁷⁶ Radio Slobodna Evropa, "Telekom Srpske prodato Telekomu Srbije", 5 December 2006, available at: <https://www.slobodnaevropa.org/a/689775.html> (accessed on 3 October 2025)

to EUR 646 million, were in the following years used to consolidate Dodik's authoritarian rule and enable substantial personal enrichment for him and his close associates through a series of corruption scandals linked to projects financed through the proceeds of the telecom privatisation. The construction of the RS Government building, the Banja Luka–Gradiška motorway and the privatisation of the RS Oil Industry are among the most widely reported corruption scandals involving the Dodik regime – so extensive in scale that they appear outsized even in a broader European context.¹⁷⁷

In addition to his own enrichment and that of his inner circle, Milorad Dodik used the RS Investment and Development Bank as a vehicle to channel funds through to a clientelist network of companies and individuals, thereby consolidating his near-total political dominance. At the same time, his governance became increasingly overt in its authoritarian character.

Transparency International BiH was among the first organisations to be targeted by the regime after uncovering serious corruption scandals surrounding the privatisation of the RS Oil Industry and the construction of the Government building, prompting the temporary closure of TI BiH's Banja Luka office. The assault on TI BiH exemplified a pattern that would soon be systematically applied to suppress opposition. A coordinated offensive – bringing together regime-controlled media, para-intelligence structures, criminal networks and police institutions – was used to conduct smear campaigns aimed at discrediting critics, supported by para-intelligence circles and institutionalised through police structures, ultimately evolving into a systematic formula for suppressing dissent.

In parallel with the consolidation of Dodik's power and the growth of his personal wealth, the regional dynamics in the Balkans became further complicated by Montenegro's declaration of independence in 2006 and

¹⁷⁷ Transparency International BiH, Analiza Ugovora o privatizaciji NIRS, 2009, available at: https://ti-bih.org/wp-content/uploads/2011/02/20090407_NIRS_analiza-FINAL.pdf (accessed on 3 October 2025)
Capital, TI dostavio Tužilaštvu BiH dokumente o izgradnji zgrade Vlade RS, 14 February 2008, available at: <https://capital.ba/ti-dostavio-tuzilastvu-bih-dokumente-o-izgradnji-zgrade-vlade-rs/> (accessed on 3 October 2025)

Kosovo's in 2008. The well-known notion that the Western Balkans operates on the principle of communicating vessels was once again confirmed by the reverberations of these events in BiH. Dodik began to pursue an increasingly explicit separatist course, arguing that RS should enjoy the same rights as Montenegro and Kosovo, namely, the legal right to hold a referendum and, consequently, to secede. Since 2006, when he first announced a referendum, this form of direct democracy has been increasingly instrumentalised as a means of political manipulation. Although dozens of referendums were announced over the years, on issues such as the state judiciary, the Republic Day and independence, only one was actually held, on 25 September 2016, regarding the Republic Day. Following this, Dodik's regime largely backtracked, later describing the referendum merely as a public opinion poll.

However, beyond mobilising the electorate, recurring threats of referendums served another significant purpose: shielding Dodik from criminal prosecution related to numerous corruption scandals. As a consistent pattern, whenever the state-level judiciary launched investigations against him, he would dispute its authority and threaten a referendum, as was the case during major corruption probes concerning the construction of the Government building and the Banja Luka–Gradiška motorway.

The fundamental and persistent crisis in the functioning of FBiH has endured for over a decade. Following the 2010 elections, a serious government formation deadlock emerged when SDA and SDP opted to form a coalition with Croatian parties (HSP and *Radom za Boljitak*) that had received significantly fewer votes than HDZ and HDZ 1990. In response, the latter obstructed the election of delegates to the House of Peoples of FBiH from the three cantons where they held a majority, aiming to prevent the formation of such a coalition. Nevertheless, the SDP–SDA coalition proceeded to form the government and appoint the FBiH leadership (president and vice presidents) in direct violation of constitutional procedures, prompting the CEC to suspend the adopted decisions. Shortly thereafter, however, the OHR suspended the CEC's suspension, thereby preventing the Court of BiH from ruling in the second instance and concluding the case. The CEC's intervention in fact escalated the crisis further, as the Constitutional Court of FBiH – due to the OHR's decision to suspend the CEC ruling pending the Court's own opinion – lacked a sufficient number of judges to deliberate on the appeal filed (and soon

withdrawn) by then-President Borjana Krišto. Through this intervention, the OHR directly and unnecessarily obstructed the legally prescribed procedure in such cases, contributing to a deeper escalation of the crisis. This case clearly illustrates that the OHR's approach is no longer capable of producing constructive outcomes in addressing institutional dysfunction in BiH, and once again underscores the urgent need to resolve its status. After two decades of presence and intervention, its continued existence is increasingly difficult to justify on rational grounds.

A telling example of political conduct aimed at undermining established institutions and departing from the legal framework can be seen in the political agreement concluded between SDP and SNSD in 2012. The agreement included a package of amendments to key laws essential to the functioning of the state and clearly signalled the negative trajectory the country was taking.¹⁷⁸ Although the international community and civil society organisations strongly condemned the package as a significant step backwards, the signatories nevertheless submitted the proposed laws for fast-tracked parliamentary approval.

The agreement included proposals to amend several key laws, including the Law on Public Procurement, the Law on Conflict of Interest, the Law on the High Judicial and Prosecutorial Council, the Law on the Central Bank and legislation concerning the state-owned transmission company, *Elektroprenos*. The proposed amendments to the Law on Public Procurement envisaged decentralising the Procurement Review Body to Sarajevo, Mostar and Banja Luka, thereby enabling political parties to exert more direct control over the procurement process. Although a new law aligned with EU directives had already been drafted under EU auspices, the ruling coalition at the state level (SDP, SNSD and HDZ) refused to adopt it and instead advanced amendments that would render the system even more opaque. Through the proposed changes to the Law on the HJPC, the proponents sought to transfer the authority for appointing prosecutors from the HJPC to parliaments, effectively placing them under the influence of shifting parliamentary majorities. The amendments to the Law on Conflict of Interest also marked a significant regression, as responsibility for

¹⁷⁸ Al Jazeera Balkans, Sporazum SDP-a i SNSD-a, 3 November 2012, available at: <http://balkans.aljazeera.net/vijesti/sporazum-sdp-i-snsd> (accessed on 3 October 2025)

ruling on conflicts of interest would be shifted from the CEC to a commission appointed by the Parliamentary Assembly. Meanwhile, the proposed changes concerning *Elektroprenos* sought to release the accumulated profit held in the company's account in order to secure liquidity for the entity budgets. The EU and broader international community explicitly opposed such measures, noting that those funds – together with additional donor support – were intended to strengthen and modernise the electricity network.¹⁷⁹ Although most of the laws contained in this package were ultimately not adopted, the initiative itself clearly illustrates the political course to which the governing parties remain committed.

The country continues to suffer from a fundamental dysfunction of its institutions, with even post-election government formation marked by serious delays. Following the 2010 general elections, the CoM was formed only after 16 months, in February 2012, while the parliament was constituted after a nine-month delay. Less than six months into its term, the ruling coalition entered a political crisis when one of its partners was expelled for refusing to support the adoption of the budget.¹⁸⁰

Comparable issues persist at the entity level too. In FBiH, following the 2014 elections, the Government's mandate was set to expire in 2018; however, the same Government remained in office until 2022. The leading parties – the Bosniak Party of Democratic Action (SDA) and the Croatian Democratic Union (HDZ) of BiH – failed to reach agreement on amendments to the Constitution and the Election Law of BiH, as well as on the inclusion of a third coalition partner.

The formation of the RS Government in 2014 was overshadowed by a major scandal that cast serious doubt on its legitimacy and exposed political corruption as a systemic feature of the political landscape. Shortly after a recording was leaked in which the then RS Prime Minister was heard speaking with unidentified individuals about securing parliamentary support for the new Government through payments or other material incen-

¹⁷⁹ Radio Slobodna Evropa, OHR pozvao da se ne podrže izmene zakona o Elektroprenosu, 11 December 2013, available at: <https://www.slobodnaevropa.org/a/25197703.html> (accessed on 3 October 2025)

¹⁸⁰ Centres of Civic Initiatives: Monitoring the Council of Ministers BiH 2010–2014, available at: https://www.cci.ba/dokumenti/Short_version_Summary_COM_english.pdf (accessed on 3 October 2025)

tives, the RS Ministry of Interior rushed to defend her. It refused to launch an investigation, claiming – without expert verification – that the recording had been doctored.¹⁸¹ Rather than pursuing the allegations of corruption against the Prime Minister, the Ministry issued a search warrant for the Klix.ba news portal, which had published the recording. This action was widely condemned by domestic civil society organisations and the international community as a flagrant breach of the law and a violation of journalists' rights to protect their sources.¹⁸² The affair concluded without any formal investigation or prosecutorial follow-up.

The issue of electoral legislation reform resurfaced prominently following the 2016 ruling of the Constitutional Court of BiH in the Ljubić case, which declared certain provisions of the Election Law unconstitutional, specifically those governing the election of delegates to the House of Peoples of FBiH. The decision once again reopened the broader question of electoral reform.¹⁸³ As has often been the case, the ruling triggered a deep political crisis, with Croatian political leaders warning that future elections could not be held without amending the Election Law.¹⁸⁴ In 2018, the CEC implemented the Ljubić ruling by redistributing the number of delegates from the ten cantons to the House of Peoples of the FBiH Parliament in accordance with the existing Election Law. In 2022, the High Representative intervened by amending the FBiH Constitution and altering the composition of the House of Peoples. Instead of the previous 58 delegates (17 representatives from each of the constituent peoples and seven from the category of Others), Schmidt increased the total to 80 – 23 delegates per

¹⁸¹ Klix, Specijalno tužilaštvo RS potvrdilo: Nije rađeno vještačenje snimka o aferi "dva papka", 16 April 2015, available at: <https://www.klix.ba/vijesti/bih/specijalno-tuzilastvo-rs-potvrdilo-nije-radjeno-vjestacenje-snimka-o-aferi-dva-papka/150416092> (accessed on 3 October 2025)

¹⁸² Klix, Neko mora odgovarati za upad u redakciju Klix-a, 7 January 2015, available at: <http://www.klix.ba/vijesti/bih/cci-neko-mora-odgovarati-za-upad-u-redakciju-klix-a/150107055> (accessed on 3 October 2025)

¹⁸³ Constitutional Court of Bosnia and Herzegovina, Case no. U 23/14, 1 December 2016, available at: https://www.ustavnisud.ba/uploads/odluke/_en/U-23-14-1058444.pdf (accessed on 3 October 2025)

¹⁸⁴ Ljubić contested the provisions of the Election Law on the grounds that they were discriminatory, as they required every canton to elect at least one representative of each constituent people to the House of Peoples, despite the fact that in some cantons the population of one of the constituent peoples was negligible.

constituent people and 11 from the ranks of Others. Whether the Constitutional Court's judgment has been fully implemented remains uncertain, pending the Court's final assessment.¹⁸⁵

Negotiations on electoral reform, aimed at implementing the judgments of the European Court of Human Rights and the Constitutional Court of BiH, have been ongoing, albeit intermittently, since 2018. These discussions have taken place in various formats, both within the Inter-Ministerial Working Group and through direct talks among political leaders, with mediation provided by the US and the EU. In 2020, the leaders of HDZ and SDA reached an agreement on principles for amending the electoral framework; however, the agreement produced no tangible results and was never implemented.¹⁸⁶

As noted, this entire period has been marked by cyclical crises, a persistent inability to advance meaningful reforms and the entrenched inefficiency of government following the conclusion of international operational oversight in BiH. At the same time, increasingly authoritarian tendencies have begun to surface, particularly in RS. These trends became especially pronounced after the 2022 elections, which were marred by numerous irregularities in the electoral process, most notably in the election of the RS President. The results themselves were overshadowed by widespread allegations of electoral misconduct. In the immediate aftermath, the publication of multiple pieces of evidence documenting these irregularities triggered protests by opposition parties in RS, including three large-scale rallies demanding the annulment of the elections.

¹⁸⁵ Klix, Zašto se presuda "Ljubić" još vodi kao neizvršena: Uskoro bi Ustavni sud trebao zatvoriti cijelu priču, 21 January 2025, available at: <https://www.klix.ba/vijesti/bih/zasto-se-presuda-ljubic-jos-vodi-kao-neizvršena-uskoro-bi-ustavni-sud-trebao-zatvoriti-cijelu-pricu/250121140> (accessed on 3 October 2025)

¹⁸⁶ Politički sporazum o načelima izmjena i dopuna Izbornog zakona Bosne i Hercegovine, 17 June 2020, available at: https://www.hdzbih.org/sites/default/files/vijesti-dokumenti/Politi%C4%8Dki%20sporazum%20o%20na%C4%8Delima%20izmjena%20i%20dopuna%20Izbornog%20zakona%20BiH_17.06.2020.-1.pdf (accessed on 3 October 2025)

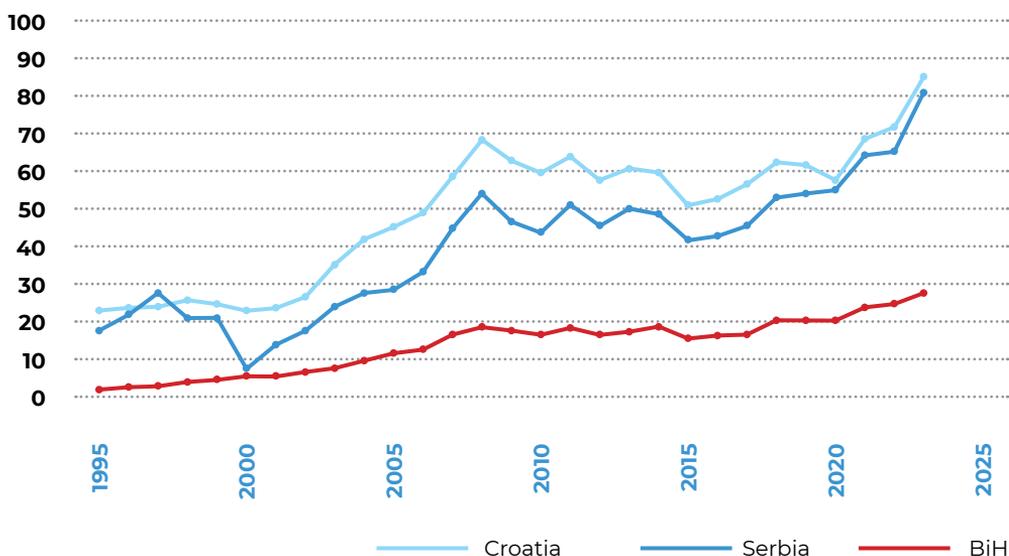
¹⁸⁷ Radio Slobodna Evropa, Kleveta postala krivično djelo u Republici Srpskoj, 26 August 2023, available at: <https://www.slobodnaevropa.org/a/bih-rs-kleveta-zakon/32565201.html> (accessed on 3 October 2025)

Shortly thereafter, the ruling regime announced the adoption of a series of repressive laws. Despite well-founded warnings and criticism from journalists, CSOs and the international community – including the UN, EU, OSCE, CoE and others – the regime has moved to suppress dissent and consolidate power through the enactment of these laws, beginning with the recriminalisation of defamation and followed by the Law on the Special Registry and Transparency of the Work of Non-Profit Organisations.¹⁸⁷

Stagnation and Decline in Economic Activities

Compared to Croatia and Serbia, BiH began with a considerably weaker GDP base, particularly in the aftermath of the war. However, unlike its neighbours, BiH failed to achieve the strong economic growth that Croatia and Serbia experienced from the early 2000s, largely due to persistent, self-inflicted political crises – deepening the development gap by the end of the decade. While the region experienced slower growth during the second decade, Croatia and Serbia regained momentum in the early 2020s, achieving robust economic expansion, whereas growth in BiH remained negligible. It is worth noting that neither Croatia nor Serbia made notable progress in the Transparency International Corruption Perceptions Index, and their growth would likely have been even stronger had both countries been more effective in tackling corruption and promoting transparency in business.

GDP (current US\$) – BiH, Croatia, Serbia



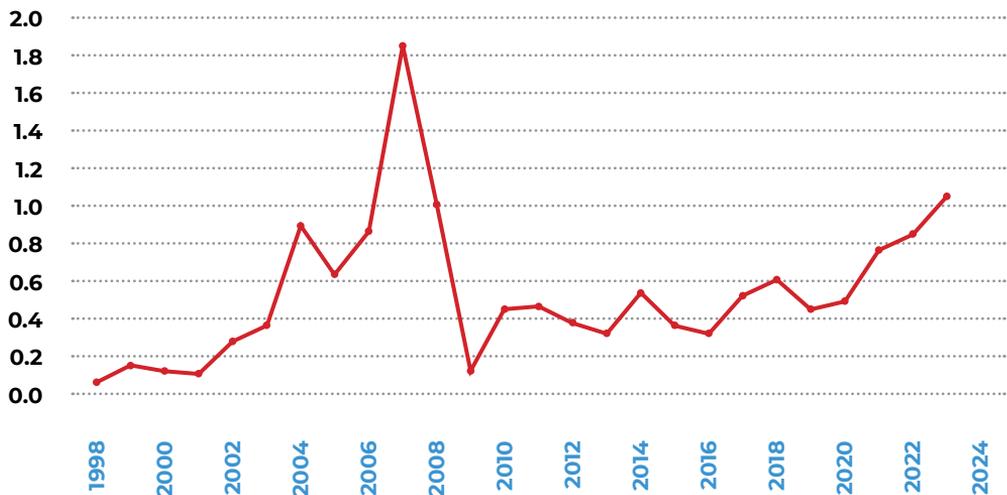
» **Source:** World Bank Macroeconomic Indicators¹⁸⁸

¹⁸⁸ World Bank, Macroeconomic Indicators: Bosnia and Herzegovina, available at: <https://data.worldbank.org/country/bosnia-and-herzegovina> (accessed 20 October 2025)

Questionable Foreign Investment as a Poor Driver of Growth

The consequence of such an economic environment, compounded by prevailing political conditions and entrenched corruption, was the emergence of the aforementioned foreign investments. Initially, they gained strong momentum in the early 2000s, when several prominent investors entered the BiH market (see chart below). However, with the onset of political instability, the rapid escalation of corruption and the rise of state capture (discussed later in this publication), investor inflows declined dramatically. At the same time, the quality and long-term sustainability of these investments deteriorated significantly. Many of these investors lacked credible references, often had questionable backgrounds and operated with a short-term focus on generating substantial profits by securing privileged market positions through cooperation with corrupt political and economic elites. This pattern continues to the present day. Moreover, by 2025 it has become evident that a significant portion of these investors primarily served to extract budgetary funds through unsuccessful arbitration disputes, resulting in a financial burden on the BiH budget exceeding BAM 2 billion by that year.¹⁸⁹ These arrangements trace their origins to the period leading up to 2010.

Foreign direct investment, net inflows (BoP, current US\$) – BiH



» **Source:** International Monetary Fund, Balance of Payments database

Further Course of EU Integration – From SAA to Accession

In December 2009, the European Court of Human Rights (ECtHR) issued a ruling on the appeal lodged by two BiH citizens (Sejdić and Finci), finding that the BiH Constitution and Election Law violate the passive voting rights of citizens referred to as “Others” – those who are not members of the three constituent peoples – by excluding them from eligibility for election to the BiH Presidency and the House of Peoples. The Court instructed that the discriminatory constitutional and legal provisions be amended accordingly.¹⁹⁰ The EU Council identified the implementation of this ruling as a requirement arising from the SAA for the submission of a credible EU membership application.¹⁹¹ The SAA was signed on 16 June 2008, while the Interim Agreement on Trade and Trade-related Matters entered into force on 1 July 2008. Through this signing, BiH established its first formal contractual relationship with the EU. Due to its mixed nature, the agreement required ratification by all EU member states as well as the European Parliament. The BiH Presidency ratified it in November 2008, and the final ratification process was completed in 2011.

In the early 2010s, growing public frustration with the situation in the country began to manifest more openly through protests. These demonstrations were primarily aimed at the perceived dysfunction and irresponsibility of the authorities. Among the most prominent examples during

¹⁸⁹ Klix, Pandurević: Pandurević: Afera “Viaduct” je predvorje finansijskog pakla i kraha koji je pred RS-om i BiH, available at: <https://www.klix.ba/vijesti/bih/pandurevic-afere-viaduct-je-predvorje-finansijskog-pakla-i-kraha-koji-je-pred-rs-om-i-bih/250414083> (accessed on 3 October 2025) and Klix, Koliko “novih Viaducta” čeka BiH? Ovo su neki od sporova koji bi uskoro mogli stići na naplatu, 15 April 2025, available at: <https://www.klix.ba/biznis/finansije/koliko-novih-viaducta-ceka-bih-ovo-su-neki-od-sporova-koji-bi-uskoro-mogli-stici-na-naplatsu/250414104> (accessed on 3 October 2025)

¹⁹⁰ European Court of Human Rights, Grand Chamber, Sejdić and Finci v. Bosnia and Herzegovina, nos. 27996/06 and 34836/06, 22 December 2009; available at: <https://hudoc.echr.coe.int/fre#%7B%22item-id%22:%5B%22001-96491%22%5D%7D> (accessed on 3 October 2025)

¹⁹¹ Council of the European Union, Council conclusions on Bosnia and Herzegovina, 3076th FOREIGN AFFAIRS Council meeting Brussels, 21 March 2011; available at: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/foraff/120066.pdf (accessed on October 2025)

this period were the “JMBC” protests in 2013, the February 2014 demonstrations and two movements that emerged in response to the tragic deaths of Dženan Memić and David Dragičević in Sarajevo and Banja Luka, known respectively as “Justice for Dženan” and “Justice for David”.

Although differing in their immediate triggers, all of these protests shared a common underlying feature: a shift away from the prevailing ethnically defined and monolithic political discourse towards confronting issues of social injustice and government irresponsibility.¹⁹² In response, the authorities generally resorted to repressive measures, combining lawful actions, such as arrests, misdemeanour charges and fines, with illicit practices including intimidation, surveillance and physical violence. The aim was to delegitimise criticism and protest, fostering an environment in which protests and expressions of dissent were no longer recognised as legitimate democratic rights, but instead portrayed as acts of subversion against the existing political order.

One of the principal outcomes of the 2014 protests was a shift in the international community’s focus towards socio-economic reforms, temporarily setting aside the emphasis on constitutional reform following repeated failures to reach compromise in that area.

In its April 2014 conclusions, the EU Foreign Affairs Council explicitly referenced the protests, noting that it had taken account of citizens’ demands. To give practical effect to its call for socio-economic reform, the EUSR convened a conference on BiH’s economic recovery in May 2014.¹⁹³ This process identified several priorities under the Compact for Growth: reducing labour taxes to stimulate job creation; increasing labour market flexibility and competitiveness to improve employment opportunities, especially for youth and the unemployed; simplifying business registration procedures; improving the bankruptcy framework to enable faster corporate restruc-

¹⁹² Randall Puljek-Shank, & Felix Fritsch, *Activism in Bosnia-Herzegovina: Struggles against Dual Hegemony and the Emergence of “Local First”*. *East European Politics and Societies*, 2018, 135–156, available at: <https://doi.org/10.1177/0888325418767505> (accessed on 3 October 2025)

¹⁹³ Council of the European Union, *Council conclusions on Bosnia and Herzegovina FOREIGN AFFAIRS Council meeting Luxembourg, 14 April 2014*, available at: <https://www.consilium.europa.eu/media/28455/142215.pdf> (accessed on 3 October 2025)

turing; establishing transparent, publicly accessible e-registers for permits and approvals; and reforming the pension system by reducing preferential pensions and increasing targeted social support for those genuinely in need. During this same period, the initiative known as the German-British Initiative, launched by the Foreign Ministers of Germany and the United Kingdom, proposed that BiH authorities adopt a reform agenda. In return, the SAA would enter into force regardless of the previously defined conditions concerning implementation of the ECtHR judgment in the *Sejdić–Finci* case and the establishment of a coordination mechanism. The reforms accepted under this initiative were closely aligned with the Compact for Growth, launched in early 2014. Within this framework, the SAA entered into force on 1 June 2015.

On 15 February 2016, BiH formally applied for EU membership. In May 2019, the EC presented its opinion on BiH's application, identifying 14 Key Priorities that the country must address before accession negotiations can begin.¹⁹⁴ The Council adopted conclusions on this opinion on 10 December 2019. In its opinion, the EC concluded that negotiations with BiH could be launched once the country attains the required level of alignment with the EU membership criteria, particularly the Copenhagen political criteria, which stipulate the need for stable institutions that

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194 European Commission, Communication from the Commission to the European Parliament and the Council Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union {SWD(2019) 222 final} Brussels, 29 May 2019, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0261> (accessed on 2 October 2025)

195 Democracy/Functionality

1. Ensure that elections are conducted in line with European standards by implementing OSCE/ODIHR and relevant Venice Commission recommendations, ensuring transparency of political party financing, and holding municipal elections in Mostar.
2. Ensure a track record in the functioning at all levels of the coordination mechanism on EU matters including by developing and adopting a national programme for the adoption of the EU acquis.
3. Ensure the proper functioning of the Stabilisation and Association Parliamentary Committee.
4. Fundamentally improve the institutional framework, including at constitutional level, in order to:
 - a) Ensure legal certainty on the distribution of competences across levels of government;
 - b) Introduce a substitution clause to allow the State upon accession to temporarily exercise competences of other levels of government to prevent and remedy breaches of EU law;
 - c) Guarantee the independence of the judiciary, including its self-governance institution (HJPC);

ensure democracy and the rule of law. To meet these requirements, BiH must significantly strengthen its legislative and institutional frameworks to enable the implementation of the 14 Key Priorities, grouped under four areas: Democracy and Functionality, Rule of Law, Fundamental Rights and Public Administration Reform.¹⁹⁵

After almost three years of complete political and institutional paralysis, the European Council in June 2022 called upon BiH's political leaders to swiftly implement the commitments made in the political agreement reached earlier that month between BiH and EU leaders. The agreement reaffirmed the need to ensure a functional BiH, advance the implemen-

- » d) Reform the Constitutional Court, including addressing the issue of international judges, and ensure enforcement of its decisions;
 - e) Guarantee legal certainty, including by establishing a judicial body entrusted with ensuring the consistent interpretation of the law throughout Bosnia and Herzegovina;
 - f) Ensure equality and non-discrimination of citizens, notably by addressing the Sejdić-Finci ECtHR case law;
 - g) Ensure that all administrative bodies entrusted with implementing the *acquis* are based only upon professionalism and eliminate veto rights in their decision-making, in compliance with the *acquis*.
5. Take concrete steps to promote an environment conducive to reconciliation in order to overcome the legacies of the war.

Rule of Law

6. Improve the functioning of the judiciary by adopting new legislation on the High Judicial and Prosecutorial Council and of the Courts of Bosnia and Herzegovina in line with European standards.
7. Strengthen the prevention and fight against corruption and organised crime, including money laundering and terrorism, notably by:
- a) adopting and implementing legislation on conflict of interest and whistle-blowers' protection;
 - b) ensuring the effective functioning and coordination of anti-corruption bodies;
 - c) align the legislation and strengthen capacities on public procurement;
 - d) ensuring effective cooperation among law enforcement bodies and with prosecutors' offices;
 - e) demonstrating progress towards establishing a track record of proactive investigations, confirmed indictments, prosecutions and final convictions against organised crime and corruption, including at high-level;
 - f) de-politicising and restructuring public enterprises and ensuring transparency of privatisation processes.
8. Ensuring effective coordination, at all levels, of border management and migration management capacity, as well as ensuring the functioning of the asylum system.

tation of the 14 Key Priorities from the EC's opinion and complete constitutional and electoral reforms in accordance with the defined priorities.¹⁹⁶ In December 2022, BiH was granted candidate status for EU membership, conditional upon the fulfilment of steps outlined in the EC's communication of 12 October 2022 on enlargement policy, focusing on strengthening the rule of law, the fight against corruption and organised crime, migration management and fundamental rights.¹⁹⁷

On 8 November 2023, the EC issued a recommendation to open accession negotiations with BiH once the necessary degree of compliance with the membership criteria has been achieved. In December 2023, EU leaders confirmed their willingness to proceed with negotiations once BiH had reached that key milestone. In March 2024, acting on the EC's recommendation of 12 March 2024 – based on a special supplementary report covering developments from December 2023 to March 2024 – EU leaders formally endorsed the opening of accession negotiations.¹⁹⁸ To this end, they instructed the EC to prepare a negotiating framework and called on the Council to adopt it once BiH has taken all relevant steps specified in

» **Fundamental Rights**

9. Strengthen the protection of the rights of all citizens, notably by ensuring the implementation of the legislation on non-discrimination and on gender equality.
10. Ensure the right to life and prohibition of torture, notably by (a) abolishing the reference to death penalty in the Constitution of the Republika Srpska entity and (b) designate a national preventive mechanism against torture and ill-treatment.
11. Ensure an enabling environment for civil society, notably by upholding European standards on freedom of association and freedom of assembly.
12. Guarantee freedom of expression and of the media and the protection of journalists, notably by (a) ensuring the appropriate judicial follow-up to cases of threats and violence against journalists and media workers, and (b) ensuring the financial sustainability of the public broadcasting system.
13. Improve the protection and inclusion of vulnerable groups, in particular persons with disabilities, children, LGBTI persons, members of the Roma community, detainees, migrants and asylum seekers, as well as displaced persons and refugees in line with the objective of closure of Annex VII of the Dayton Peace Agreement.

Public Administration Reform

14. Complete essential steps in public administration reform towards improving the overall functioning of the public administration by ensuring a professional and de-politicised civil service and a coordinated countrywide approach to policy making.

the EC's report of 12 October 2022.

It should be emphasised that this relatively swift formal progress in BiH's EU accession process – the granting of candidate status in December 2022, followed by the green light to open negotiations in March 2024 – is largely a result of the Russian aggression against Ukraine and the accompanying geopolitical dynamics, particularly the extension of the EU membership perspective to Ukraine, Moldova and Georgia.

Despite this formal progress, the country was simultaneously gripped by a deep political crisis. These developments coincided with the conclusion of High Representative Valentin Inzko's mandate, which was marked by the most consequential OHR intervention of the last decade. In July 2021, Inzko invoked the Bonn Powers to impose amendments to the BiH Criminal Code. These amendments introduced provisions that prohibited the denial of genocide and the glorification of convicted war criminals. While this decision carried substantial symbolic and normative weight in affirming international legal principles and promoting reconciliation, it also precipitated a profound political crisis, particularly in RS. Political representatives there responded by obstructing the work of state-level institutions and enacting legislation that challenged state competences, thereby initiating a new cycle of institutional confrontation. Inzko's decision, coupled with his earlier cautious approach to interventions, clearly demonstrated the

196 Political agreement on principles for ensuring a functional Bosnia and Herzegovina that advances on the European path, available at: <https://www.consilium.europa.eu/hr/press/press-releases/2022/06/12/political-agreement-on-principles-for-ensuring-a-functional-bosnia-and-herzegovina-that-advances-on-the-european-path/> (accessed on 2 October 2025)

European Council meeting (23 and 24 June 2022) – conclusions Brussels, 24 June 2022 (OR. en) EUCO 24/22, available at: <https://www.consilium.europa.eu/media/57446/2022-06-2324-euco-conclusions-hr.pdf> (accessed on 2 October 2025)

197 European Council, European Council meeting (15 December 2022) – Conclusions Brussels, 15 December 2022, EUCO 34/22, available at: <https://www.consilium.europa.eu/media/60872/2022-12-15-euco-conclusions-en.pdf> (accessed on 2 October 2025)

198 European Commission, Communication from the Commission to the Council and the European Parliament Report on progress in Bosnia and Herzegovina – March 2024 Brussels, 12 March 2024, available at: https://enlargement.ec.europa.eu/document/download/fa9da504-4ecb-4317-b583-c9fff0b833b2_en (accessed on 3 October 2025)

limited efficacy of international tutelage when it relies on one-off, rather than institutionalised and sustainable, mechanisms for state consolidation.

The tenure of his successor, Christian Schmidt, has been marked by controversy over his legitimacy from the outset, as his appointment was not formally confirmed by the UN Security Council. This circumstance has allowed the RS authorities, supported by Russia and China, to openly challenge his authority. Nevertheless, Schmidt has demonstrated a greater readiness to exercise the Bonn Powers in matters concerning government formation, the functionality of entity and state institutions and electoral reform. His interventions – ranging from suspending certain constitutional provisions in FBiH and annulling acts adopted by the RS National Assembly, to imposing technical amendments to the electoral law – have primarily sought to preserve the political system’s functionality and uphold a minimum constitutional order. However, this “personalised” approach to state engineering, accompanied by significant criticism from domestic political actors and public dissent, underscores the persistent tension between external tutelage and the imperative of fostering internal political accountability. This situation reaffirms that, in the absence of a clearly institutionalised process, international – and particularly European – interventions tend to produce provisional and fragile outcomes that are easily undermined by shifts in the political context.

The EU’s ambivalent stance towards BiH and the High Representative’s interventionism has been plainly evident since the General Affairs Council (GAC) Conclusions adopted in 2009. These Conclusions stated that the Council would be unable to consider BiH’s application for membership until the transition from the OHR to an enhanced EU presence had been fully realised.¹⁹⁹ Meanwhile, in 2011, the roles of the EU Special Representative and the High Representative were once again separated. Despite the High Representative’s continued presence in BiH and the full scope of the Bonn Powers at his disposal, the country was nonetheless given the green light to open negotiations with the EU.

¹⁹⁹ Council of the European Union, General Affairs, Brussels, 7 December 2009, Press Release no. 17217/09, available at: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/112480.pdf (accessed on 3 October 2025)

Achievements in the EU Integration Process

Following the international community's withdrawal from a direct governance role in BiH, and particularly after the failure of the April Package, it has become plainly evident that the country is not merely stagnating but is actively regressing in several crucial areas of fundamental reform, namely the rule of law, the fight against corruption, the protection of human rights and the general functionality of state institutions. Such a trend is consistently corroborated by the findings of key analytical sources, including the Corruption Perceptions Index (CPI), the World Bank Institute's Worldwide Governance Indicators (WGI), etc.

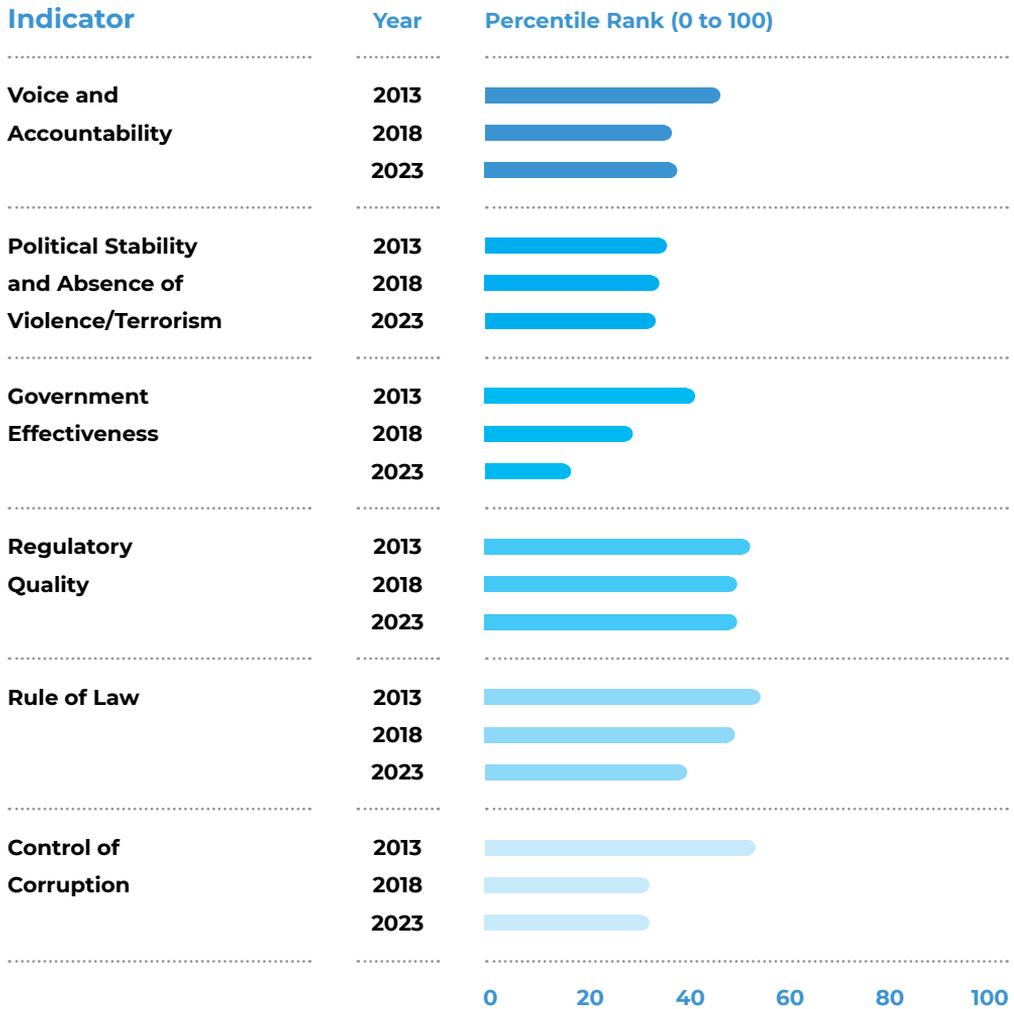
Furthermore, from a comparative perspective, when assessed against other states aspiring to EU membership – including those that were granted a membership perspective nearly two decades later – BiH demonstrates the lowest level of preparedness, a fact which speaks for itself.²⁰⁰

European Commission assessments of 33 chapters (October 2024)

Country	Average grade (0 – 4)
● Average "good"	3.0
● Montenegro	2.2
● Serbia	2.1
● North Macedonia	2.1
● Turkey	1.9
● Albania	1.8
● Ukraine	1.3
● Georgia	1.1
● Moldova	1.0
● Kosovo*	1.0
● Bosnia and Herzegovina	0.7

²⁰⁰ The European Commission published its most recent assessments on 30 October 2024. The Commission assesses each policy area (or chapter) using five degrees of preparedness:

- Early stage
- Some level of preparation



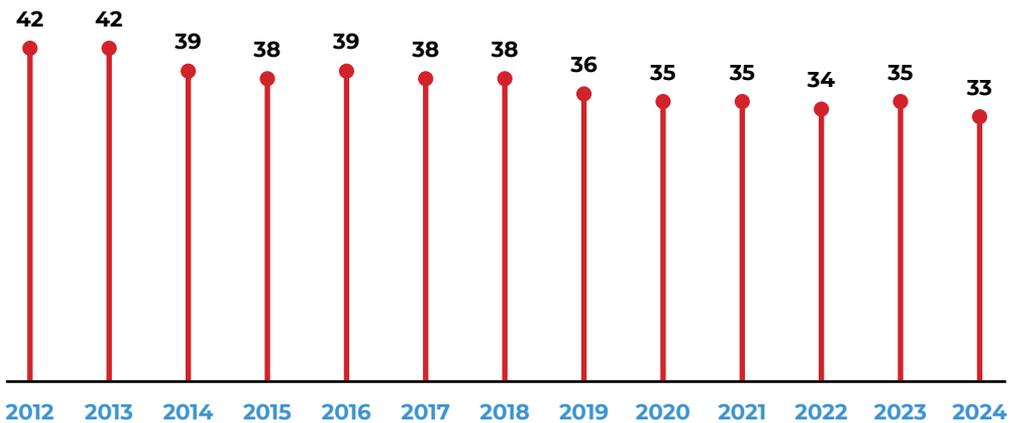
» **Chart 3.** World Governance Indicators

- » • Moderately prepared
- Good level of preparation
- Well advanced

ESI has taken these assessments and allocated a grade to each degree of preparedness: from 0 for the worst grade (“early stage”) to 4 for the best (“well advanced”). The average score presented in the table was calculated by dividing the total sum of all chapter scores by the number of chapters.

See more at European Stability Initiative: Scorecard 2024 – What the Commission assessments reveal <https://www.esiweb.org/publications/scorecard-2024-what-commission-assessments-reveal>

Over an extended period, almost all dimensions of the Worldwide Governance Indicators (WGI) reveal negative trends, ranging from the control of corruption and the rule of law to government effectiveness, political stability and the absence of violence. These findings leave little scope for alternative interpretation, as the country exhibits deterioration across nearly all aspects of governance – an unmistakable sign of a deep and long-standing governance crisis. This crisis stems principally from the state’s inability to translate the democratic will of its citizens, expressed through elections, into coherent public policies. Furthermore, the government’s effectiveness in formulating and implementing such policies has declined sharply. Compounded by regression in the rule of law and a diminishing capacity to curb corruption, this has created a perilous downward spiral from which the country currently appears incapable of emerging.



» **Chart 4.**

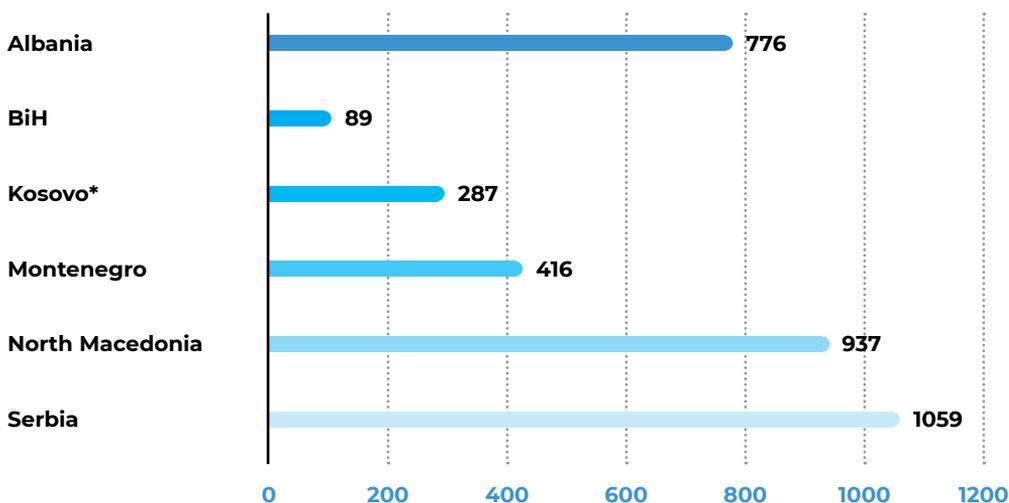
Corruption Perception Index for BiH

A similar pattern of deterioration in BiH is reflected in Transparency International’s global survey, the Corruption Perceptions Index (CPI), which ranks countries on a scale from 0 to 100 based on perceived levels of corruption. It is crucial to note that the most complex form of corruption, namely state capture, is predominant in BiH. This form is particularly resistant to conventional anti-corruption mechanisms, especially in circum-

stances, such as those in BiH, where the phenomenon has permeated most, if not all, institutional structures.

The findings of SIGMA's research concerning the functioning of parliaments are equally illustrative. Once again, BiH shows a dramatic lag behind other Western Balkan countries in a key indicator of parliamentary performance: the number of laws adopted. This indicator is particularly relevant in light of the country's declared commitment to EU accession, which necessitates the transposition of thousands of pieces of legislation and sustained legislative activity. Even allowing for the fact that, due to its specific constitutional framework, the BiH Parliamentary Assembly has the narrowest scope of competences compared with other parliaments in the region, the drastic disparity in legislative output remains striking and self-evident.

Total number of draft laws subject to a final vote by parliament, 2018–2022



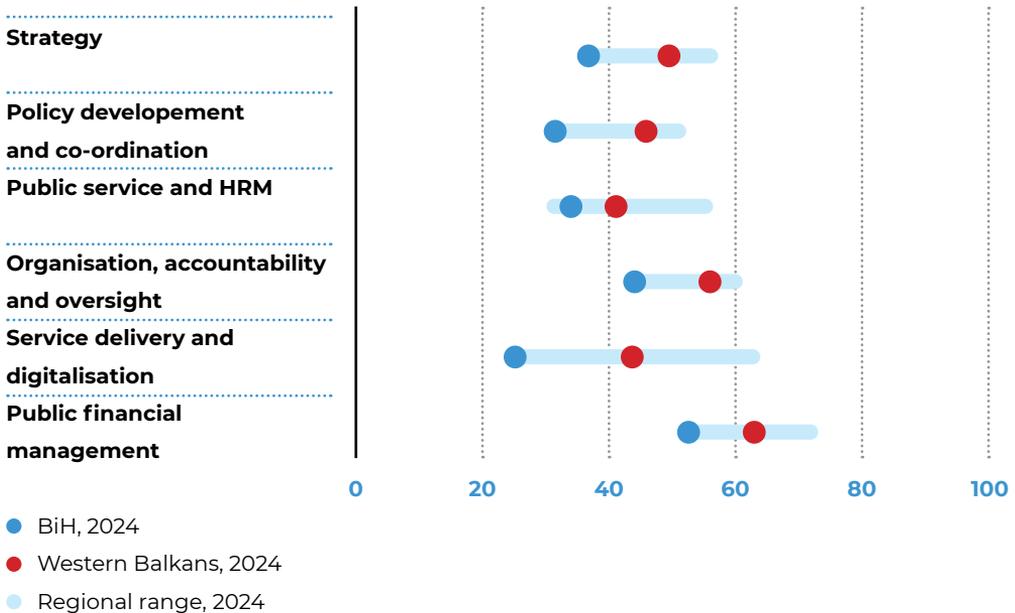
» **Chart 5.** Comparative overview of legislative output in the countries of the W. Balkans²⁰¹

» **Source:** OECD, 2023.

²⁰¹ Tunyan, B. and K. Goetz (2024), "Parliaments and evidence-based lawmaking in the Western Balkans: A comparative analysis of parliamentary rules, procedures and practice", SIGMA Papers, no. 68, OECD Publishing, Paris

SIGMA’s monitoring reports on the progress of public administration reform once again place BiH at the very bottom of the regional ranking. In every reform area, BiH scores significantly below the Western Balkans average, and in most cases – five out of six areas – it holds the lowest position among all countries in the region.²⁰² Despite more than two decades of public administration reform, the results suggest that the country remains effectively at the starting point of the process. On one side stands an enormously oversized public administration – partly a consequence of the country’s complex administrative structure – while, on the other, citizens receive a deplorably low standard of public services. This imbalance is accompanied by an almost complete lack of citizen participation in policy-making. Overall, BiH’s public administration remains inefficient, severely limited in capacity and insufficiently citizen-centric.

Overall state of play in the functioning of public administration



²⁰² SIGMA, SIGMA Monitoring Report, Public Administration in Bosnia and Herzegovina 2024, available at: https://www.sigmaxweb.org/content/dam/sigma/en/publications/reports/2025/01/public-administration-in-bosnia-and-herzegovina-2024_df5d9924/969426b5-en.pdf (accessed on 3 October 2025)

When analysing the causes of the lack of progress in the EU integration process, it is essential to consider both sides – BiH and the EU. There is little doubt that, in BiH, EU membership remains one of the few major strategic and societal goals around which there is near-universal consensus, at least in word, if not in deed. The EU's approach, successfully applied during previous enlargement waves, also served as the foundation for the accession path of the Western Balkan countries, including BiH. This approach was built upon the principle of conditionality. However, it soon became evident that, beyond rhetorical commitment, the ethno-national political elites have demonstrated neither the will nor the intent to implement genuine reforms, as such reforms would inevitably limit their unconstrained power, restrict access to public resources and potentially expose them to prosecution for pervasive corruption. The *status quo* thus represents a winning formula for these elites, whose principal strategy lies in simulating reform processes.

Herein lies the EU's fundamental challenge. The conventional mechanism of conditionality, once an effective instrument of Europeanisation and transformation in earlier enlargement rounds, has increasingly proven insufficient in the context of entrenched state capture, an incomplete institutional framework and weakly consolidated democratic practices.

The EU is confronted with a fundamental dilemma: whether to prioritise stability or democratisation. It is becoming increasingly manifest that pursuing both objectives simultaneously is not entirely compatible, particularly in the short term, as democratisation cannot unfold within tightly controlled conditions without generating risks of instability. Although the EU is, at least in principle, committed to the concept of stabilisation through democratisation, in practice, stability appears to have taken precedence in shaping its approach to reform implementation. This tendency is encapsulated in the now familiar term “stabilitocracy”, which denotes a preference for stability over democracy and the rule of law.²⁰³ Several factors contribute to this orientation.

203 Florian Bieber “The Rise (and Fall) of Balkan Stabilitocracies” *Horizons* Winter 2018 / Issue No. 10, available at: <https://www.cirsd.org/en/horizons/horizons-winter-2018-issue-no-10/the-rise-and-fall-of-balkan-stabilitocracies> (accessed on 3 October 2025)

Firstly, the notion of stability encompasses issues such as inter-ethnic tensions, the integrity of the state, migration and a range of other sensitive matters that represent a more immediate potential threat than the absence or even regression of democratisation, and therefore necessitate heightened attention and oversight.

Secondly, policy-making within the sphere of stability-related challenges is inherently simpler and more conducive to achieving consensus among EU member states than the promotion and support of democratisation.

From a logical standpoint, it is self-evident that a functional state cannot be built without proper institutionalisation. However, the EU's approach thus far has been to try to address each individual issue through direct negotiations with nationalist party leaders, relying on political leverage and conventional diplomatic bargaining rather than fostering institutional processes. As a result, every reform initiative effectively devolves into a kind of “mini-Dayton” exercise, burdened by all the inherent limitations such an approach entails.²⁰⁴

Since the process is not anchored in institutions, it does not yield sustainable results and must be reiterated with each emerging issue, often repeatedly for more complex topics in order to preserve continuity. This dynamic renders initiatives reliant on the consensus of nationalist parties, each of which effectively possesses veto power. Consequently, achieving substantial progress is difficult, and any gains are highly susceptible to reversal when political circumstances evolve.

The ethno-nationalist political scene shows a clear preference for “inter-entity” arrangements over actual state institutions, as this leaves the EU dependent on their continued acquiescence. Perhaps most importantly, this “personalised” approach to state-building ignores the constitutional order that must be developed if a state is to have any chance of success.

²⁰⁴ European Stability Initiative, Taking on the commanding heights – Integration of network industries as a tool of peace building – A proposal for the Peace Implementation Council, 2000, available at: https://www.esiweb.org/sites/default/files/reports/pdf/esi_document_id_9.pdf (accessed on 3 October 2025)

Finally, an important factor that must be recognised in explaining BiH's stalled EU integration is its *sui generis* status since the war's end: that of a state with limited sovereignty. In this specific context, the EU's conditionality policy operates in a fundamentally different manner from that in fully sovereign countries. Conditionality becomes considerably more assertive, expansive and intrusive, often aimed directly at reshaping the state's structure and/or redefining the position of ethnic groups within a multi-ethnic setting. As Nučeva contends, the EU's demands on potential candidate states that infringe upon their sovereignty cannot be regarded as equally legitimate as the broadly accepted conditions arising from the Copenhagen criteria.²⁰⁵

205 Gergana Noutcheva: "EU conditionality and Balkan compliance: Does sovereignty matter?", University of Pittsburgh 2006

206 More information is provided in the chapter on Post-conflict Reconstruction.

207 Transparency International BiH, The International Community is Not Immune to the Corruption Plague Either, 2001, available at: <https://ti-bih.org/wp-content/uploads/Documents/izvjestaji/e/Corruption%20in%20IC.%20report.pdf> (accessed on 3 October 2025)

A Captured State, a Captured Society

The forms and manifestations of corruption in BiH have evolved in tandem with the development of the state and society. Over time, corruption has undergone a distinct evolutionary trajectory that can be analytically divided into three ideal-typical phases. These phases, of course, never existed as entirely separate or self-contained phenomena; rather, they have overlapped and complemented one another. Nevertheless, this typological division offers valuable analytical insights.

The first phase corresponds to the period of war and its immediate aftermath. It was marked by the absence of an effective institutional and legal framework to combat corruption, as the rule of law was virtually non-existent. The dominant form of corruption during this phase can be described as kleptocracy, given that governance often served little purpose beyond personal enrichment. Smuggling also became a widespread practice, covering a vast range of goods including weapons, foodstuffs, oil, cigarettes, medicines, narcotics, alcohol and even human trafficking. The scale of looting remained significant immediately after the war. According to international assessments, BiH received the largest amount of post-conflict reconstruction assistance *per capita* up to that point – more than Germany had received under the Marshall Plan, per capita, when adjusted for currency value.²⁰⁶ Despite the establishment of three parliamentary commissions to investigate the embezzlement of funds, none of them concluded their work with final reports, leaving the fate of the stolen money unresolved. A further distinctive feature of this phase, specifically the post-war reconstruction period, was the emergence of allegations of large-scale corruption within international institutions and organisations themselves, as TI BiH repeatedly pointed out with substantiating evidence.²⁰⁷

The second phase in the evolution of corruption emerged through the process of privatisation. The privatisation of state- and socially-owned enterprises, large industrial giants and globally recognised concerns that had successfully competed on the world market resulted in the disappearance or misappropriation of assets worth billions of marks. Names such as *Energoinvest*, *UNIS*, *TAS*, *Rudi Čajavec*, *ŠIPAD* and *Kosmos* still evoke a sense of awe and nostalgia today, as little to nothing remains of these once-powerful companies.

The third phase relates to the appropriation and exploitation of natural resources – forests, water, land and especially mineral wealth. The primary vehicle for this has been the concession system, where concessions are often granted to investors of dubious credibility for the construction of small hydro and solar power plants, as well as for mineral exploration. One constant has cut across all three phases: public procurement and contracting, which remains one of the most malignant and deeply entrenched sources of corruption in BiH.

This evolutionary path of corruption has resulted in BiH becoming a textbook example of the phenomenon known as the “state capture”. The “state capture” refers to a form of systemic corruption in which narrow interest groups gain effective control over key institutions and over the processes of policy formulation and implementation, thereby excluding important segments of society whose interests these institutions are mandated to serve.²⁰⁸ The substance of this phenomenon is best understood in relation to other forms of corruption, such as administrative corruption. While other forms of corruption typically involve undue influence over the implementation of policies and laws, the *differentia specifica* of state capture lies in undue influence exerted over the creation of such policies and laws – an interference that inevitably has implications for their subsequent implementation.²⁰⁹

Within the nexus of systemic corruption, it is practically difficult to delineate its various manifestations or to categorise them into rigid, ideal-typical forms, as they frequently intertwine and are mutually reinforcing. Nevertheless, drawing on the findings of TI BiH’s research, several key manifestations or mechanisms of state capture can be identified:

²⁰⁸ David-Barret, Liz, “State capture and Inequality”, Research Paper, 2021, Pathfinders, New York University Center on International Cooperation, available at https://cic.nyu.edu/sites/default/files/cic_pathfinders_state_capture_inequality-2021.pdf (accessed on 3 October 2025)

²⁰⁹ Joel S. Hellman, “Winners take all: the politics of partial reform in postcommunist transitions”, *World politics*. Cambridge University Press, (1998) pp. 203–234, available at: <http://pscources.ucsd.edu/ps200b/Hellman%20Winners%20Take%20All--The%20Politics%20of%20Partial%20Reform%20in%20Postcommunist%20Transitions.pdf> (accessed on 3 October 2025)

²¹⁰ TI BiH collects and processes a broad spectrum of information through both quantitative and qualitative research, as well as through data gathered and analysed by its Advocacy and Legal Advice

- Clientelistic Employment Practices – research by TI BiH indicates that up to 90% of public sector jobs are apportioned on clientelistic grounds;²¹⁰
- Public Procurement – according to the Audit Office of the Institutions of BiH, more than 85% of contracts examined post-implementation exhibit discrepancies. These discrepancies include breaches of the Law on Public Procurement, non-compliance with contractual obligations and/or lack of sufficient documentation to verify all facts concerning contract implementation.²¹¹ Furthermore, procurement spending spikes by approximately 40% during election periods, strongly suggesting an effort to influence voter preferences.²¹²
- Political Control over the Judiciary – the lack of effective prosecution for political corruption clearly evidences the subordination of the judiciary to political interests.²¹³

Across all the aforementioned manifestations of state capture, a single common thread can be discerned – the phenomenon of clientelism, which represents the smallest common denominator of each of these forms.

- » Centre (ALAC). A significant portion of this information is used to monitor law enforcement practices, institutional performance, etc. In addition, TI BiH maintains regularly updated databases on law enforcement and institutional functioning.
- 211** Audit Office of the Institutions of BiH, IZVJEŠTAJ REVIZIJE UČINKA “Upravljanje procesom realizacije ugovora o javnim nabavkama u institucijama BiH” 2018, available at: <https://www.revizija.gov.ba/Content/OpenAttachment?Id=cbf4a734-5609-4f29-aef5-79ad50248e01&langTag=bs&Id=cbf4a734-5609-4f29-aef5-79ad50248e01&langTag=bs> (accessed on 3 October 2025)
- 212** Srđan Blagovčanin, “The Rule of the Cartel”, Transparency International BiH 2020, available at: <https://ti-bih.org/wp-content/uploads/2020/06/The-rule-of-the-cartel.pdf> (accessed on 3 October 2025)
- 213** S. Blagovčanin, E. Hodžić, S. Sali Terzić, The Blindfolding Justice in Bosnia and Herzegovina, Open Society Fund BiH, 2021, available at: https://osfbih.org.ba/images/Progs/17+/LP/Pubs/ls_justice_in_BiH_really_blind.pdf (accessed on 2 October 2025)
- 214** Francis Fukuyama, Political order and political decay: from the industrial revolution to the globalization of democracy. Farrar, Straus and Giroux New York, 2014, available at: https://eclass.aegean.gr/modules/document/file.php/SOC120/Francis%20Fukuyama%20-%20Political%20Order%20and%20Political%20Decay_%20From%20the%20Industrial%20Revolution%20to%20the%20Globalization%20of%20Democracy.%20-Farrar%2C%20Straus%20and%20Giroux%20%282014%29.pdf (accessed on 3 October 2025)

Some scholars regard clientelism as an early form of democratic political accountability, as it inherently involves an element of reciprocity and, to a certain extent, a form of mutual responsibility.²¹⁴ However, prevailing theories trace the roots of clientelism to the broader level of socio-economic development.²¹⁵ They suggest that poorer, less educated and socially marginalised groups are more inclined towards a pragmatic approach in addressing their daily existential challenges, particularly when alternative means of resolving such problems are limited.²¹⁶ In such a context, these voter demographics are more inclined to pursue short-term material benefits – trading their votes for immediate gains – thereby disregarding the causal link between political allegiance and medium- or long-term public policy outcomes.²¹⁷

In the context of the relationship between political parties and the electorate, clientelism constitutes one of several possible modes of voter mobilisation, alongside programmatic mobilisation, that is, prioritisation of public policies.²¹⁸

Political parties in BiH are characterised by a low degree of inclusiveness and a strong concentration of power within narrow leadership circles.²¹⁹ Although they may formally present themselves as mass-membership parties, their internal organisation is predominantly leader-centred, reflecting their inherently clientelistic character. Leadership turnover is extremely rare, and it is not uncommon for party leaders' names to appear as part of the party's official name or on electoral lists. Party presidents exercise near-absolute authority, often described as “pharaonic”. This is most

²¹⁵ Shumel Eisenstadt and Luis Roniger, *Patrons, Clients and Friends. Interpersonal Relations and the Structure of Trust in Society*, coll. *Themes in the Social Sciences*, Cambridge University Press, Cambridge, 1984

²¹⁶ Javioe Auyero, *The Logic of Clientelism in Argentina: An Ethnographic Account*. *Latin American Research Review*, 2001, 55–81

²¹⁷ Herbert Kitschelt & Steven Wilkinson, *Patrons, clients, and policies: patterns of democratic accountability and political competition*. Cambridge: Cambridge University Press, 2007

²¹⁸ Herbert Kitschelt, 'Divergent Paths of Postcommunist Democracies', in Larry Diamond and Richard Gunther (eds) *Political Parties and Democracy*, 2001, pp. 299–326. Baltimore, MD: Johns Hopkins University Press. Grzymala-Busse, A. *Beyond Clientelism: Incumbent State Capture and State Formation*. *Comparative Political Studies*, 2008, 638–673

vividly illustrated by the Statute of the SNSD, which grants the president the power to: propose candidates for vice-presidents, the secretary-general and members of the party presidency; propose candidates for the Political Council and the Council for Socio-Economic Affairs; propose candidates for executive secretaries; convene and chair all party bodies; confirm electoral lists for elections at all levels; and dissolve municipal/city committees, as well as dismiss the leadership of organisational structures.²²⁰

As previously noted, TI BiH's estimates – based on analyses of available data – suggest that up to 90% of public sector jobs are apportioned primarily through the clientelistic networks of political parties. These findings are largely corroborated by reports from relevant international institutions.²²¹ In practice, the division of spoils among political parties – manifested in the distribution of control over public institutions through politically motivated appointments of senior institutional figures, which in turn enable the unrestricted hiring of party affiliates – takes place in a fully transparent manner and in full view of the public, through official party meetings and formal announcements of the agreed distribution of spoils, specifying which institution or sector has been assigned to which political party.²²²

²¹⁹ The broader the circle of decision-makers, the more inclusive a party is, and conversely. At one extreme of inclusiveness are parties where key decisions are made by an individual or a small group, while at the opposite extreme are those in which major decisions are determined by the widest membership through direct voting. Scarrow Susan, *Implementing Intra-party Democracy*, National Democratic Institute for International Affairs (NDI) 2005, available at: https://www.ndi.org/sites/default/files/1951_polpart_scarrow_110105_5.pdf (accessed on 3 October 2025)

²²⁰ Statute of the Alliance of Independent Social Democrats, available at: https://snsd.org/wp-content/uploads/2012/03/STATUT_SNSD_usvojen_na_VL_Saboru.pdf (accessed on 3 October 2025)

²²¹ International Monetary Fund, *Bosnia and Herzegovina 2023 Article IV Consultation – Press Release; Staff Report*; and statement by the Executive Director for Bosnia and Herzegovina IMF Country Report no. 23/324, available at: <https://www.imf.org/en/Publications/CR/Issues/2023/09/05/Bosnia-and-Herzegovina-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-538832> (accessed on 3 October 2025)

²²² *Nezavisne novine*, *Vladajuća koalicija u Srpskoj dogovorila raspodjelu svih direktorskih pozicija*, 21 May 2019, available at: <https://www.nezavisne.com/novosti/bih/Vladajuca-koalicija-u-Srpskoj-dogovorila-raspodjelu-svih-direktorskih-pozicija/539416> (accessed on 3 October 2025)

Due to its specific constitutional setup and complex administrative-territorial organisation, BiH maintains an expansive public sector, offering political parties a broad structural basis for voter recruitment. Nearly one in three employed individuals in the country – 29.2%, or approximately 250,000 people – works in the public sector.²²³

To ensure effective and direct engagement with a broad spectrum of voters, political parties in BiH have invested heavily in developing their organisational infrastructure. At its core is a narrow circle of political elites centred around the party leader, followed by a wider group of apparatchiks and ethno-political entrepreneurs who occupy multiple public sector positions – often concurrently – enabling substantial voter mobilisation through various forms of patronage. These include preferential access to public employment for party supporters and the allocation of grants to associations affiliated with the party.

The ratio between the number of registered party members and the total number of votes received by the party serves as an indicator of its clientelistic orientation.²²⁴ For instance, in its official 2019 programme principles document SNSD reported a membership of 193,362, while according to the CEC, the party secured 218,201 votes for the National Assembly in the 2018 general elections.²²⁵

A simple mathematical exercise helps illustrate how ruling political parties in BiH secure electoral support. Starting from the fact that approximately 250,000 individuals are employed in the public sector, and multiplying this figure by three – the average household size in BiH – yields an estimated 750,000 citizens whose livelihoods depend directly on the public sector and, by extension, on the political parties that control access to employment within it.

²²³ International Labor Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector, available at: StatLink <https://doi.org/10.1787/888934128745>

²²⁴ Herbert Kitschelt, 'Divergent Paths of Postcommunist Democracies', in Larry Diamond and Richard Gunther (eds) *Political Parties and Democracy*, 2001, pp. 299–326. Baltimore, MD: Johns Hopkins University Press

²²⁵ Official website of the Central Election Commission izbori.ba

In the 2018 elections, a total of 1,656,516 valid votes were cast. The three principal ruling parties collectively secured 658,754 votes – 252,058 for the SDA, 260,930 for the SNSD and 145,487 for the HDZ. The discrepancy of approximately 100,000 votes fewer than the estimated number of citizens linked to public sector employment can be attributed to the inherent limitations of achieving complete electoral control, as well as to the presence of smaller coalition parties that also maintain clientelistic networks within the public sector.²²⁶

Ethnic fragmentation within society can serve as a significant factor in reinforcing political clientelism,²²⁷ particularly in contexts where ethnic issues permeate the political process to such a degree that they enable ethnically defined political parties to dominate the electoral arena.²²⁸ In societies characterised by deep ethnic divisions, the relationship between citizens and political leaders rarely rests on programmatic commitments and is instead almost entirely rooted in clientelistic exchanges.²²⁹

BiH stands as a textbook example of the deep interconnection between clientelism and ethnic division. A political system built on such foundations – where ethnic groups form its core structural elements – can scarcely foster political accountability to individual citizens, nor can it promote collective action that transcends ethnic boundaries.²³⁰ The driving force of this configuration is, inevitably, the ethnicisation of politics. As a result, political parties, primarily focused on maximising their influence within this framework, quickly come to recognise that programmatic approaches offer neither a viable path to power nor a sustainable means of retaining it.

²²⁶ Ibid.

²²⁷ Ann-Sofie Isaksson, *Clientelism and Ethnic Division*. Gothenburg: Dep. of Economics, Göteborg Univ, 2014

²²⁸ Kanchan Chandra, Why voters in patronage democracies split their tickets: Strategic voting for ethnic parties, *Electoral Studies*, Volume 28, Issue 1, 2009, pp. 21–32

²²⁹ Herbert Kitschelt & Steven Wilkinson, *Patrons, clients, and policies: patterns of democratic accountability and political competition*. Cambridge: Cambridge University Press, 2007

²³⁰ Nina Caspersen, Good Fences Make Good Neighbours? A Comparison of Conflict-Regulation Strategies in Postwar Bosnia. *Journal of Peace Research*. 2004;41(5):569–588

Lack of Reforms

An analysis grounded in political economy is essential for elucidating the roles and interests of key actors within a post-conflict transition environment. As is typical of transitional processes – though even more pronounced in BiH's specific post-conflict context – the dominant political dynamics centre on the relationship between elites and other social strata, who have emerged respectively as the winners and losers of the transition. To this complex web of relations, one must also add the international community, which, as previously noted, has played a highly significant and often decisive role.

BiH's current political and economic elites were forged and consolidated during the wartime conflicts and subsequent national confrontations. This period, marked by profound anarchy and the absence of the rule of law, enabled these elites to accumulate substantial wealth through direct budgetary transfers, the smuggling of various goods and the unlawful privatisation of state assets. While the elites emerged as clear beneficiaries of the transition, the majority of the population experienced deepening impoverishment, resulting in the near disappearance of the middle class. This produced a power structure in which the transition's winners appropriated the vast majority of social resources, thereby securing dominant and disproportionate influence over the largely impoverished and disenfranchised segments of society. Such an imbalance in power relations continues to exert a profound influence on the trajectory and outcomes of reform processes.

An illustrative example of the “capture” of reform processes in BiH can be found in the privatisation of state assets. Following an initial wave of privatisation – whose outcomes and success indicators remain highly questionable – the process slowed considerably. The state continues to maintain a significant presence in the economy, retaining ownership of approximately 550 companies, many of which are in extremely poor condition and burdened by persistent losses and operational inefficiencies. Due to the inefficiency of public enterprises, the country forfeits up to 3% of GDP in potential revenue annually.²³¹ This situation is aptly described by the concept of partial reform equilibrium: once the transition's winners had acquired substantial economic power through privatisation, they converted it into political influence, thereby creating the conditions to safeguard

their own vested interests.²³²

In this context, the reasons behind the deceleration and near standstill of privatisation become clear. The expansive role of the public sector – including a broad portfolio of state-owned enterprises in key sectors – was of critical importance to political elites. By exercising effective control over private enterprises, political leaders ensured their alignment with the interests of ruling circles, using them as instruments for both maintaining power and accumulating illicit wealth. The first function – preserving political control – was achieved through the management of social stability, for example by regulating the prices of essential energy resources such as electricity, while electoral support was secured through clientelistic employment in exchange for votes. The second and equally important function for the political elites – illegal enrichment – was realised through the allocation of cronyistic public procurement contracts to companies closely affiliated with the ruling elite.

Ultimately, the prevailing pursuit of narrow interests by the ruling elites offers a compelling explanation for the role and functioning of the country's public sector. Enormously hypertrophied – partly due to its complex administrative structure – the public sector has, at the same time, become almost grotesquely inefficient. While it absorbs a disproportionately large share of GDP, its core function is to preserve the *status quo*, enabling elites to extract resources without restraint and serving as the key stronghold of their political and economic power. BiH ranks among the countries with the highest levels of public revenue collection relative to GDP

²³¹ IMF Working Paper, European Department: State-Owned Enterprises in Bosnia and Herzegovina: Assessing Performance and Oversight, Prepared by Francisco J. Parodi and Bobana Cegar, 2019, available at: <https://www.imf.org/en/Publications/WP/Issues/2019/09/20/State-Owned-Enterprises-in-Bosnia-and-Herzegovina-Assessing-Performance-and-Oversight-48621> (accessed on 3 October 2025)

²³² Joel S. Hellman, Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics*. 1998;50(2):203–234, available at: <http://pscourses.ucsd.edu/ps200b/Hellman%20Winners%20Take%20All--The%20Politics%20of%20Partial%20Reform%20in%20Postcommunist%20Transitions.pdf> (accessed on October 16, 2025)

²³³ World Bank, Systematic Country Diagnostic Update, 2020, available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/cb842a88-bc66-5e48-87b4-f581e5188f5e/content> (accessed on 3 October 2025)

globally, with government revenues amounting to approximately 44% of GDP, compared to an average of 35% among Western Balkan states.²³³

The period following the failed constitutional reform efforts marked the onset of a relentless surge in public sector expenditure. This trend was reflected in the unchecked proliferation of institutions, the creation of new administrative posts, the hiring of politically loyal personnel and successive increases in public sector salaries. This is counterintuitive because the more severe the economic conditions – particularly during the global financial crisis and the Covid-19 pandemic – the more rapidly and substantially public spending expanded.

At its peak, public sector consumption in BiH reached approximately 40% of GDP, whereas in Germany it has consistently remained slightly below – or at most around – 30%. This disparity raises a critical question: what quality of public services do BiH citizens receive in return for such substantial spending? Regrettably, it is a question on which citizens themselves are rarely, if ever, consulted.

Public Expenditure (% of GDP) – Bosnia and Herzegovina



» **Source:**

International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates

Economy in Freefall

The current state of BiH's economy is both dire and unsustainable. Traditional sectors (such as agriculture, processing and other industries) are steadily collapsing, primarily due to the absence of a coherent development strategy and the influence of entrenched interest lobbies focused on controlling financial flows by promoting imports. As imports consistently outpace exports, the country's indebtedness continues to deepen. This trajectory is driven by deeply corrupt political and economic actors, and the nature and conditions of the state's borrowing starkly reveal the extent to which public institutions have been captured by these interest groups.

The effects of this capture are evident in BiH's increasingly hostile business environment, which actively obstructs economic growth. As noted in the World Bank's diagnostic study – supported by extensive evidence – despite underlying structural weaknesses, the predominant source of dysfunction lies in the absence of genuine political will.²³⁴ The analysis highlights key indicators showing that, following the failed constitutional reforms, political elites have appropriated major economic flows, while ordinary citizens bear an increasingly heavy structural burden. These indicators clearly demonstrate the depth of corruption within the economy, permeating every level – from the macroeconomic sphere to small and medium-sized enterprises, and down to the individual level.

Foreign Direct Investment Fails to Provide Economic Boost

Despite the recognised importance of investment for economic growth, the quality of investments in BiH – even foreign direct investments – remains consistently questionable. A significant share of these investments fails to generate substantial employment. For example, according to the BiH Agency for the Promotion of Foreign Investments, the three largest investment projects in 2024 amounted to a combined total of BAM 54 million, yet resulted in only 55 new jobs.²³⁵ This underscores the limited

²³⁴ World Bank, Systematic Country Diagnostic Update, 2020, available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/cb842a88-bc66-5e48-87b4-f581e5188f5e/content> (accessed on 3 October 2025)

contribution of foreign direct investment to the country's broader economic development.

According to the same agency, total investments in BiH reached € 775.4 million in the first three quarters of 2024, representing a 3.4% decline compared to the same period in the previous year. By contrast, Kosovo* attracted over € 806 million in foreign investment during the same period, marking a 7.7% increase. Serbia, North Macedonia and Albania also recorded growth, leaving BiH as the only country in the region to experience a decline.²³⁶ In 2023, BiH reported record levels of foreign investment, approximately BAM 1.4 billion, but this figure was largely driven by inflows from Russia, categorised as "other capital", amounting to BAM 342 million.²³⁷ Almost no information is available regarding the nature of this investment, despite the fact that BiH is supposed to be aligned with EU sanctions against Russia, introduced in response to its aggression against Ukraine.

²³⁵ Press, FIPA: Deset najvećih investitora u BiH, zapošljavaju više od 3.700 radnika, 23 December 2024, available at: <https://pressmediabih.com/vijesti/2024/23/12/fipa-deset-najvecih-investitora-u-bih-zaposljavaju-vise-od-3-700-radnika/> (accessed on 3 October 2025)

²³⁶ Forbes BiH, Politička kriza i ekonomska propast: Dodikov separatizam guši investicije u BiH, available at: <https://forbes.n1info.ba/aktuelnosti/politicka-kriza-i-ekonomska-propast-dodikov-separatizam-gusi-investicije-u-bih/> (accessed on 3 October 2025)

²³⁷ Klix, Iznenadjujući podaci: U 2023. godini najveći strani investitor u BiH je Rusija, available at: <https://www.klix.ba/biznis/investicije/iznenadjujuci-podaci-u-2023-godini-najveci-strani-investitor-u-bih-je-rusija/231228073> (accessed on 3 October 2025)

Shady Hungarian Investments

Hungary's entry into the energy sector of RS began with its acquisition of the Trebinje Solar Power Plant project, for which *Elektroprivreda RS* had previously been granted a concession. The circumstances surrounding the transfer of this concession remain opaque. TI BiH won a legal dispute against the BiH Concessions Commission after it refused to disclose information regarding the transfer of the concession from *Elektroprivreda RS* to the Hungarian company Lugos Renewables. Lugos Renewables has since acquired a 70 per cent ownership stake in the solar power plant. The concession for constructing the solar power plant was originally awarded to *Elektroprivreda RS* in October 2020 through a procedure that did not involve a public call, a process legally permitted for public institutions deemed to be of general interest. However, this exemption does not extend to private foreign companies. The total investment is valued at approximately BAM 100 million.

“The legal provision permitting concessions to be awarded to public enterprises of strategic importance was invoked in granting the concession to *Elektroprivreda RS*. However, it is evident that *Elektroprivreda RS* had no genuine intention of implementing the project. Instead, a new company, *SE Trebinje 1*, was established, the concession was subsequently transferred to this entity and then ceded to the Hungarian investor. As a result, the investor entered the project without any form of competition and under terms that remain undisclosed to the public. We are active-

ly seeking all relevant information from *Elektroprivreda RS* and have formally requested that the Concessions Commission clarify the basis on which it approved the transfer of the concession. The Commission was legally obliged to determine why *Elektroprivreda RS* – ‘for economic, technical or other reasons’ – was unable to implement the project, while its newly established subsidiary, *SE Trebinje 1*, which reported no revenue last year, was deemed capable of doing so. Despite a court ruling, the Commission continues to withhold this information, prompting us to initiate a new lawsuit. Of course, we will also insist that *Elektroprivreda RS* disclose all terms under which this arrangement was made, especially given the concerning reports circulating in the public domain, and we wish to obtain official clarification. I must emphasise that, according to the original concession agreement, this project should already have been completed”, stated Srđan Traljić of TI BiH.

In discussing relations with Hungarian partners, Đorđe Vučinić – an opposition MP from the *Lista za pravdu i red* (Justice and Order List) in the RS National Assembly – recalled that RS borrowed BAM 214 million from the Hungarian Import and Export Bank in late 2022. He further noted that Hungarian loans function similarly to Chinese ones, in that project-based financing is contingent upon the engagement of Hungarian companies to implement the funded projects.

» **Source:**

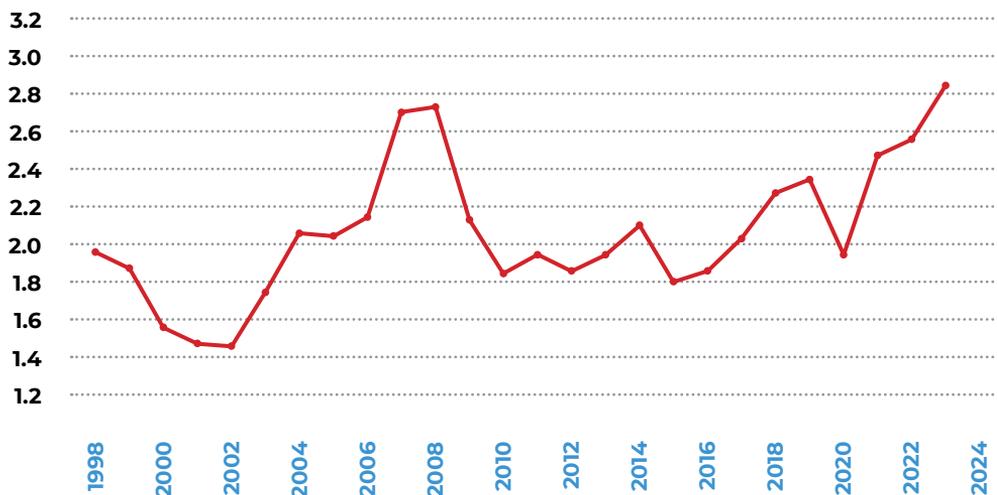
Slobodna Bosna, Péter Szijjártó’s Shady Deals: The Dodik-Orbán Czardas Brings Suspicious Hungarian Rich to Republika Srpska, January 27, 2024

Export of Labour as the Main Source of Income

Rather than relying on sustainable foreign investment as the principal source of external income, BiH receives the majority of non-borrowed inflows from a single source – one in which it ranks among the leading countries in Europe. The only consistently significant economic factor that has demonstrated continuous growth since the early 2000s, particularly in parallel with rising emigration rates, is the inflow of remittances from BiH citizens working abroad.

The chart below illustrates two major waves of emigration of BiH citizens, the second of which has peaked in recent years. It also depicts the sharp rise in remittances since 2010 – formally recorded transfers sent by BiH citizens working abroad, commonly referred to as *Gastarbeiters*, or guest workers – which, according to World Bank estimates, reached as much as USD 2.82 billion in 2023. These funds, predominantly spent within BiH, provide a crucial, albeit minimal, layer of financial stability for the country.

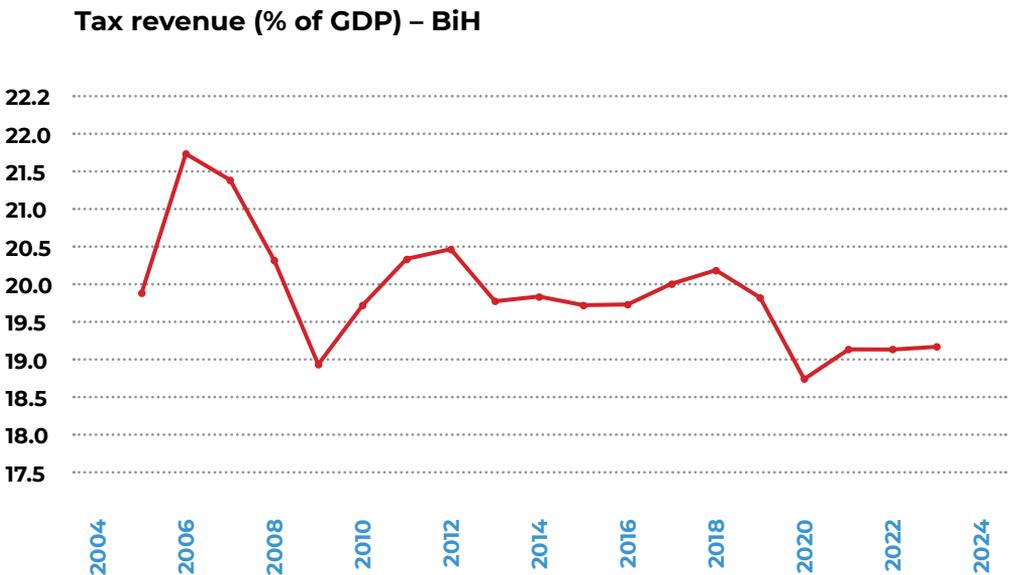
Personal remittances, received (current US\$) – BiH



» **Source:**

World Bank staff estimates based on IMF balance of payments data

At the same time, tax revenues as a share of GDP have been steadily declining since the period of the constitutional reforms, when they reached their post-conflict peak. In recent years, this indicator has stabilised at its lowest level in recorded history. This trend reflects the exhaustion of the real sector – the limited segment of the economy still preventing a complete collapse. Although VAT continues to account for a significant portion of public revenues, the state remains heavily dependent on remittances from abroad, effectively extracting funds from citizens it has driven to emigrate, as well as from those who continue to live in poverty within the country.



» **Source:**

International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates

Commercial Borrowing Used to Bridge Fiscal Gaps

A similar pattern is evident in foreign borrowing, which has expanded rapidly in response to rising public sector expenditure and the failed constitutional reforms. During that period, it peaked at over 80% of GDP. Although the ratio has since stabilised above 60%, this decline does not reflect a reduction in the absolute level of debt in recent years.

Given that RS remains unable to secure sustainable foreign borrowing and considering the overall fragility of the economy, a debt ratio of approximately 60% of GDP is a source of serious concern. Credit rating agencies have maintained BiH's sovereign rating at B3 for the past two decades, with a "stable" outlook over the last 12 years. However, this rating still places the country in the lowest tier of highly speculative grades, just above those assigned to high-risk economies.²³⁸ (It should be noted that FBiH significantly improves the national average in this regard.)

However, this provides only a partial view of the debt landscape. Unable to access favourable borrowing conditions abroad, RS primarily relies on short-term domestic borrowing at exceptionally high interest rates. As of the time of writing, it reschedules its maturing debt every two weeks through new, even more expensive loans – a practice that has become routine on the Banja Luka Stock Exchange since 2017, with markedly increased intensity since 2022, when the crisis entered its final stage.

²³⁸ Countryeconomy.com, Rating: Bosnia and Herzegovina Credit Rating, available at: <https://countryeconomy.com/ratings/bosnia-herzegovina> (accessed on 3 October 2025)

²³⁹ Raport, Koliko su zaradile firme u vlasništvu porodice Dodik, available at: <https://raport.ba/koliko-su-zaradile-firme-u-vlasnistvu-porodice-dodik/> (accessed on 3 October 2025)

Collapse of Traditional Sectors Amid Rising Imports

Agriculture and livestock farming have traditionally constituted core economic strengths in BiH, supported by a long-standing tradition of producing high-quality, ecological products. Over the years, however, both sectors have been systematically undermined through selective financial transfers and incentives awarded to a narrow circle of individuals – notably including companies owned by Milorad Dodik’s son and daughter (such as Fruit Eco, Agro Destil, Agro Voće, etc.,²³⁹ several of which appear on US sanctions lists). Their share in the overall agricultural fund is marginal, while the vast majority of other producers are placed at a severe disadvantage. As a result, both indicators have experienced a steep decline, especially after 2005 and the onset of the so-called constitutional reforms.

Meanwhile, import lobbies have grown increasingly influential, deriving substantial profit from the collapse of domestic production and the replacement of locally produced goods with imported alternatives. Total imports reached a record high of USD 15.36 billion in 2023, even as most other economic indicators, apart from external borrowing and remittance inflows (which primarily finance this import volume), have continued to deteriorate.

Merchandise imports (current US\$) - BiH



» **Source:** World Trade Organization (WTO)

The dominant wholesale importers are companies closely aligned with ruling elites, maintaining their privileged market positions primarily through political patronage rather than market competitiveness.

From an economic standpoint, BiH has not only remained frozen in time over the past two decades but has, in many respects, regressed. The severity of this decline constitutes a tectonic shift – a structural setback that will require significantly more time to recover from than it took for the economy to deteriorate. This trajectory is further compounded by the massive outflow of skilled and young labour, alongside rapid depopulation and demographic ageing. Meanwhile, public debt continues to rise, its composition is deteriorating and the country – particularly certain regions – is edging towards an unsustainable fiscal position, verging on bankruptcy. Citizens are being indebted without legislative oversight or transparency, often through opaque mechanisms whose consequences are not publicly communicated. This level of indebtedness, with funds diverted not towards innovation or productive economic activity but rather towards preserving social stability and enabling the misappropriation of public resources for private gain, is poised to reach a breaking point in the near future. Even a potential change in government would not enable the cancellation or reduction of this debt, which will ultimately trap the country in a state of debt servitude and accelerate the emigration of its remaining young population. All of this stems directly from entrenched corruption, under which no public official responsible for steering the country towards collapse has yet been confronted by institutions, let alone held criminally accountable.

From the above, it follows that overcoming the entrenched dominance of narrow ruling elite interests is virtually impossible without a genuine process of democratisation. It is therefore essential to incorporate a broader spectrum of societal interests – beyond those of the political elites, or ruling oligarchy – into the formulation and implementation of public policy.

In Search of Answers: Reasons for the Failure of Anti-Corruption Reforms

An analysis of the failure to combat corruption and establish good governance in BiH must account for the broader structural context, as well as the vested interests of dominant actors. One of the primary reasons for the ineffectiveness of anti-corruption efforts lies in the absence of political accountability, rooted in the dysfunction of the very mechanism intended to uphold it – the electoral process. In theory, representative democracy rests on the principle that citizens, through elections, reward or penalise political elites based on their performance in office.²⁴⁰

In practice, however, this model fails to function effectively in BiH. Elections have ceased to serve as instruments of accountability and instead operate as mechanisms for reinforcing ethnic divisions and sustaining clientelistic networks.

Rather than assessing governance outcomes or progress in anti-corruption efforts, voters tend to cast ballots primarily along ethnic lines or out of self-interest, seeking to maintain or gain access to resources through clientelistic ties. This dynamic is aptly captured by the concept of the prisoner's dilemma – more precisely, the ethno-political prisoner's dilemma – as convincingly articulated by Mujkić and Hulseley.

This is evident in the fact that voters who are not inherently ethno-nationalist often support ethno-nationalist parties, not out of genuine ethnic conviction, but because they perceive themselves as caught in a form of “prisoner's dilemma”. Citizens might, in principle, prefer to vote across ethnic lines and assess government performance before casting their ballots; however, such a choice is rationally viewed as highly risky if members of other ethnic groups vote exclusively for “their own”. In such circumstances, the collective “status of one's ethnic group may be perceived as vulnerable or at risk.

²⁴⁰ Herbert Kitschelt, *Linkages between Citizens and Politicians in Democratic Politics*, Comparative Political Studies, 2000; Adam Przeworski, Susan C. Stokes, and Bernard Manin, *Democracy, Accountability, and Representation*. Cambridge University Press, 1999

This logic largely explains why ethnic parties tend to benefit most from such a political environment: ethnic rhetoric effectively convinces voters that politics must be conducted along ethnic divisions rather than based on interests or performance. Moreover, the perception that ethnic identity is under threat remains a widespread rationale for ethnically motivated voting, particularly among groups that are minorities or lack adequate institutional protection.²⁴¹

This pattern of voting behaviour perpetuates a vicious cycle: political elites face no imperative to implement reforms or combat corruption, as their electoral support hinges not on integrity or performance, but on the maintenance of ethnic loyalties and clientelistic networks. Unlike consolidated democracies, where performance-based voting is a cornerstone of accountability, BiH remains dominated by “identity voting”, rooted in ethnic affiliation and the fear of domination by other groups. This dynamic further undermines the notion that elections can function as instruments of oversight or sanction for poor governance and corruption.²⁴²

Hence, the belief – though appealing at first glance – that citizens can hold corrupt politicians accountable through elections proves untenable. In a society marked by deep ethnic divisions, elections rarely function as a genuine mechanism of accountability. Ethnic concerns contaminate the political process, sidelining issues of integrity and the public good. Moreover, patron–client relations exert a powerful influence on electoral outcomes through the widespread allocation of public-sector jobs and resources. In practice, thousands of families remain directly dependent on the continued dominance of ruling structures, severely limiting the possibility of free and critically informed choice. Rather than serving as a

²⁴¹ John Hulse, and Asim Mujkić, Explaining the Success of Nationalist Parties in Bosnia and Herzegovina, *Croatian Political Science Review (Politička Misao)*, issue: 02/2010, Nenad Stojanović, When Non-Nationalist Voters Support Ethno-Nationalist Parties: The 1990 Elections in Bosnia and Herzegovina as a Prisoner’s Dilemma Game, *Southeast European and Black Sea Studies*, 2014

²⁴² Nina Caspersen, Good Fences Make Good Neighbours? A Comparison of Conflict-Regulation Strategies in Postwar Bosnia, *Journal of Peace Research*, 2004, 41 (5): 569–88
Michael S. Lewis-Beck, and Richard Nadeau, PIGS or Not? Economic Voting in Southern Europe, *Electoral Studies*, Special Symposium: Economic Crisis and Elections: The European Periphery, 2012

tool of democratic oversight, elections in BiH have become a mechanism for entrenching clientelist governance.

However, in the case of BiH, the problem runs even deeper. Political accountability has never been meaningfully established, due in large part to the role of the international community – particularly the High Representative – which has frequently assumed the task of sanctioning political actors through the use of the Bonn Powers. Over time, this practice has eroded the principle of vertical accountability between political elites and voters, while simultaneously obstructing the development of internal mechanisms of accountability. When politicians are answerable not to citizens or national institutions, but primarily to an external authority, an environment emerges in which there is little incentive to cultivate a functional culture of accountability and the rule of law.

The interplay of ethnic voting, clientelistic networks and reliance on international interventions has rendered political elites largely immune to the consequences of corruption and poor governance. Within such a framework, the prospects for successful anti-corruption reform are minimal, as the core pillars of political accountability – electoral pressure and institutional oversight – are systematically absent.

A closer analysis of the principal causes behind the persistent failure to combat corruption in BiH throughout nearly the entire post-conflict period reveals a key – and, mildly put, misguided – assumption made by international actors. This assumption failed to grasp the true nature and magnitude of the problem and, as a result, impeded the development of effective policy responses.

The assumption was that corruption did not warrant priority attention, as supposedly “more pressing” matters, such as political and institutional crises, required immediate focus. Yet these very crises are deliberately manufactured by the ruling ethno-political elites. Their primary objective is to preserve the existing *status quo*: open conflict entails excessive risks and uncertainties, while genuine reform threatens their entrenched, near-absolute power. By sustaining a constant climate of instability, they are able to perpetuate ethnic divisions and prevent citizens from organising collectively across ethnic lines. This dynamic reinforces the dominance of ethnic parties within the electoral system. During periods of crisis, in-

stitutional and legal safeguards weaken, while the influence of individual political actors intensifies, expanding both their authority and their potential for abuse.

In general terms, anti-corruption reforms in BiH have been shaped by a linear assumption: that increased transparency will generate stronger public pressure and, ultimately, lead to improved governance. Although conceptually appealing, this model faces a dual limitation in the BiH context. First, ruling parties have entrenched their electoral base within expansive clientelistic networks that distribute public-sector employment and various privileges. Within such a configuration, these social groups benefit directly from the existing system and therefore have little incentive to support change. Second, the broader public exhibits a high degree of apathy and passivity, reflected in large-scale emigration and a pervasive sense of powerlessness. While citizens possess a relatively clear understanding of the scale and persistence of corruption, this awareness does not translate into collective action. As a result, improvements in transparency and formal accountability mechanisms have failed to produce the anticipated outcomes.

To grasp the deeper causes behind the persistent failure to combat corruption in BiH, it is essential to confront the structural illusion that corruption is primarily a technical problem – one that can be resolved through improved legislation and the establishment of new “independent” institutions. This perspective overlooks the profound gap between the normative framework and its practical implementation. Although BiH possesses a relatively advanced anti-corruption legislative framework, the absence of political will and the entrenched nature of corrupt practices render it largely ineffective. In such an environment, newly created institutions are swiftly captured and repurposed as instruments of political control. The fundamental question – well established in international experiences with anti-corruption reform – remains: *who will oversee those entrusted with safeguarding the system?* Without genuine political commitment to dismantle clientelistic networks and reinforce institutional independence, technical reforms remain superficial, lacking the capacity to transform the underlying reality.

Lessons Learned

Three decades after the end of war, BiH has yet to reach an internal consensus on building a functional and self-sustaining state. The enduring legacy of the war – manifested most visibly in a dysfunctional power-sharing model – continues to steer the country away from a hybrid regime and towards increasingly pronounced authoritarian tendencies. Over an extended period, BiH has exhibited negative trajectories across nearly all key indicators, including democratic standards, the rule of law, human rights and economic development, which remains notably sluggish.

Efforts to translate widespread public dissatisfaction into tangible demands for reform and collective action that transcend ethnic divisions are persistently obstructed. This obstruction is driven by the deliberate and systematic production of manipulative, polarising narratives aimed at preserving the monopoly of ethno-national elites and perpetuating the ethnicisation of politics, thereby maintaining their full control over the institutional framework.

Following the end of the period of intensive and direct international administration during the state-building process, the resulting power vacuum was swiftly and effectively filled by the ruling ethno-national elites, who succeeded in fully capturing the state and its institutional apparatus. The most recent wave of international interventionism – evident in encroachments on the constitutional framework and electoral legislation – not only reflects the disorientation and inconsistency of the international community's approach to BiH's challenges, but also underscores the country's continued failure to develop into a self-sustaining state, even three decades after the end of the conflict.

The existing system of governance – or more precisely, a mode of government deeply permeated by clientelism – has found particularly fertile ground within BiH's power-sharing arrangement. The ruling elites' effective control is sustained through narratives that emphasise the alleged vulnerability of their respective ethnic groups, and is reinforced by their dominance over an oversized public sector. This configuration ensures the persistence of the current state of affairs. In other words, the preservation of the status quo represents the primary interest of these elites, as it allows them to retain near-absolute power, command public resources and

operate with a sense of impunity.

The prevailing logic of international intervention in BiH has proven unsustainable. Even after a considerable passage of time, there are no signs of meaningful progress in strengthening the core parameters required to guarantee a stable and durable political order. Reliance on agreements with ethno-political elites, coupled with a predominantly technocratic and bureaucratic approach to reforms, has consistently failed to produce effective outcomes. Particularly following the conclusion of the authoritarian phase of state-building – around 2005/2006, when the EU assumed ownership of the reform process – the lack of institutionalisation within reform efforts became increasingly evident. Almost every reform has been approached as a “mini-Dayton”, negotiated among political leaders rather than pursued through institutional mechanisms capable of fostering democratic legitimacy. Reinforcing this trajectory, over the years, an EU approach became discernible that prioritised stability over substantive reforms and democratisation, sacrificing the very *condicio sine qua non* for the country’s self-sustainability.

The complexity of the challenges – combined with BiH’s sui generis state structure and the prolonged presence of an international protectorate – has created a unique context that demands responses beyond the conventional toolkit and policy instruments typically employed by the EU within its enlargement framework.

From Theory to the Practice of Change

Any “**theory** of change” aspiring to evolve into a genuine “**practice** of change” must recognise that reforms are not merely technical exercises, but inherently political processes *par excellence*. Moreover, the widespread public dissatisfaction with BiH’s condition must be articulated through a democratic process that serves the public interest – transforming discontent into public policies and ensuring their effective implementation.

A necessary paradigm shift must begin with the recognition of democratisation as the central process capable of reversing BiH’s entrenched negative trajectories. Given the country’s specific circumstances and structural challenges, democratisation must be understood in broad terms. Beyond ensuring fair and transparent elections and the conditions for their integrity, it must also encompass the internal democratisation of political parties, which – due to their undemocratic nature and almost symbiotic relationship with the public sector – remain a principal source of dysfunction. One unconventional but potentially valuable reform worth exploring is the introduction of compulsory voting, which could enhance democratic participation and help dismantle the clientelistic networks that perpetuate political and social captivity.

The translation of theory into the practice of change must also recognise that BiH’s excessively large public sector – beyond being financially unsustainable – constitutes a principal pillar of state and societal capture, and a major impediment to democratisation. Its rationalisation and optimisation, guided by functional parameters, should therefore be placed among the highest reform priorities.

Introducing the principle of subsidiarity, alongside a comprehensive functional analysis of all public administration competences across all four levels of government, would enable substantial operational streamlining and a significant reduction in public sector expenditure. This, in turn, would curtail opportunities for corruption and generate savings on multiple fronts.

Equally critical to reversing BiH’s negative trajectories is comprehensive judicial reform. In this context, the implementation of a systematic vetting

process for all judicial office holders – evaluating their past performance, assets and potential ties to political structures or criminal networks – appears indispensable. Several countries in the region and beyond have already embarked on this path and, despite considerable challenges, seem to be demonstrating progress in freeing their judicial systems from chronic institutional capture.

The obstacles along this path are indeed numerous, but one of the most critical is the alarming rate of depopulation, which has persisted over an extended period and shows no signs of abating. Ironically, the very demographic expected to drive transformative change is the same group that continues to emigrate. Compounding this challenge is the still considerable degree of interethnic mistrust, which remains a major barrier to collective action across ethnic lines and to the articulation of unified demands for reform.

The fundamental question, therefore, is how to foster reforms capable of reversing BiH's entrenched negative trajectories in a context where the dominant and most influential actors – the political elites – have a vested interest in maintaining the *status quo*. The answer may be summarised as follows: pressure and clearly articulated demands for change must be mobilised simultaneously from below, through citizens and civil society, and from above, through international engagement.

Accordingly, enhanced support for civil society emerges as a key priority in shaping any sustainable strategy for transitioning out of the current impasse. At the same time, in advancing key reform processes, international actors must draw on lessons from past experience – insisting on inclusive decision-making, democratisation and the clear and consistent application of conditionality.

The Next Thirty Years

In summarising BiH's performance to date, it becomes clear from a macroeconomic perspective that convergence in GDP per capita with the EU-27 average remains limited, currently standing below 40%.²⁴³ Unsurprisingly, large-scale emigration to Western Europe has emerged as one of the country's most pressing challenges. BiH is experiencing the fastest rate of depopulation in the region, with projections indicating that this trend will intensify, resulting in a further population decline of approximately 20% by 2050. This demographic shift is compounded by rapid population ageing: since 2015, the number of individuals aged over 65 has surpassed those under 15 – a development poised to generate additional challenges in the decades ahead.²⁴⁴

Therefore, following a rather sombre assessment of the thirty years since the signing of the Dayton Peace Agreement, one question inevitably arises: *Quo vadis, Bosnia et Herzegovina?* – what possible paths lie ahead for the country? Any meaningful consideration of future scenarios must begin with an examination of the broader picture, particularly global trends likely to shape BiH's trajectory in the years to come.

To outline the probable long-term context in which BiH and the wider region will operate, comprehensive analyses have been undertaken to assess the key factors shaping future developments. One such extensive study – focused on the Western Balkans and, by extension, BiH – was conducted by the German Aspen Institute. Its principal findings are summarised below.²⁴⁵

²⁴³ OECD, *Economic Convergence Scoreboard for the Western Balkans 2025*, OECD Publishing, Paris, 2025, available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/05/economic-convergence-scoreboard-for-the-western-balkans-2025_53d9169e/bc0babf3-en.pdf (accessed on 3 October 2025)

²⁴⁴ World Bank, *Systematic Country Diagnostic Update, 2020*, available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/cb842a88-bc66-5e48-87b4-f581e5188f5e/content> (accessed on 3 October 2025)

²⁴⁵ Aspen Institute, *Futures of the Western Balkans 2043, 2023*, available at: <https://www.aspeninstitute.de/wp-content/uploads/Futures-of-the-Western-Balkans-2043.pdf> (accessed on 6 October 2025)

Dynamic Regional Trends

According to the study, regional trends are broadly categorised into two primary groups: those shaping demographic developments and those driving economic dynamics.

Demographic Changes

Demographic change does not lend itself to quick political successes or even election results. It is rather an indication of misconduct and the lack of social and economic reforms of past decades.

- Hybrid regimes benefit to a certain degree and in the short term from brain and muscle drain. At the very least, so long as the EU continues to enable the survival of dysfunctional systems, multinational companies gain from long-term, opaque deals with corrupt elites and have an interest in maintaining the *status quo*. There is no evidence to suggest that the EU's role is likely to change.
- Meanwhile, new money streams are being exploited by illicit actors, including groups of trans-national organised criminals who profit from Western Balkan smuggling routes (trafficking, arms, narcotics), all facilitated by the complicity of corrupt elites who get their cut.
- To slow migration from the region and to foster social cohesion, it is imperative to tackle the root causes. First and foremost, this refers to structural deficiencies in the region (corruption, lack of rule of law, quality of life, state capture by traditional elites and parties, economic reforms and stability). And it is the people's responsibility to challenge their elites, to change institutional processes and to end dysfunctional systems.
- Digital platforms to organise political and social movements increasingly change the political discourse in Western Balkan societies and in the diaspora. Alliances of well-educated diaspora could trigger change not only on the socio-political but also on the socio-economic level (investments into the digital economy/digital services but also political activism and online-based initiatives to challenge corrupt elites, dysfunctional bureaucracies and to support political and social reforms in the region).

- Governments need to provide the foundation for high-quality public services (education, health, infrastructure) based on transparent, non-corrupt, rule-of-law based contracts. To achieve this, governments, with the help of the EU, need to close the so-called implementation gap, i.e. improve capabilities and capacities to implement allocated resources on the ground. This means investment in human capacity building is needed while at the same time improving public systems and administrations, due process and public institutions has to be achieved.
- To make best use of the social and human capital of the diaspora, a study of recent Western Balkan graduates who studied abroad could provide a mapping that could forge a “brain gain” network for the region that not only promotes economic, but also political, change. Each year, some 23,000 young people from BiH leave the country to start their studies abroad.
- Change the narrative into “Improving the Quality of Life and Wellbeing” (basic services, green transition as a new market, attract the diaspora which is now “The Welfare State”, highlight tourism and thereby change the perception of the region abroad), hint at the global trends that also reshape Western Balkan societies (geopolitical and geo-economic shifts, regional power shifts, climate change).

Economic Development

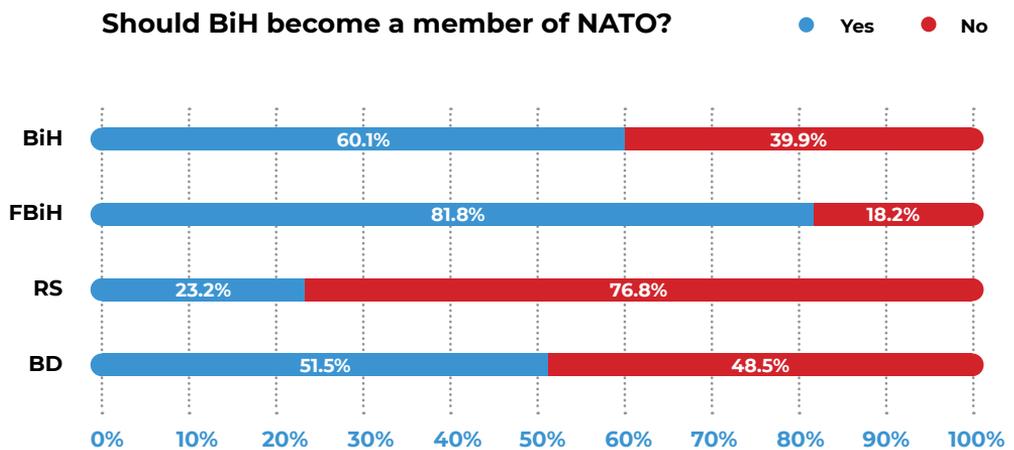
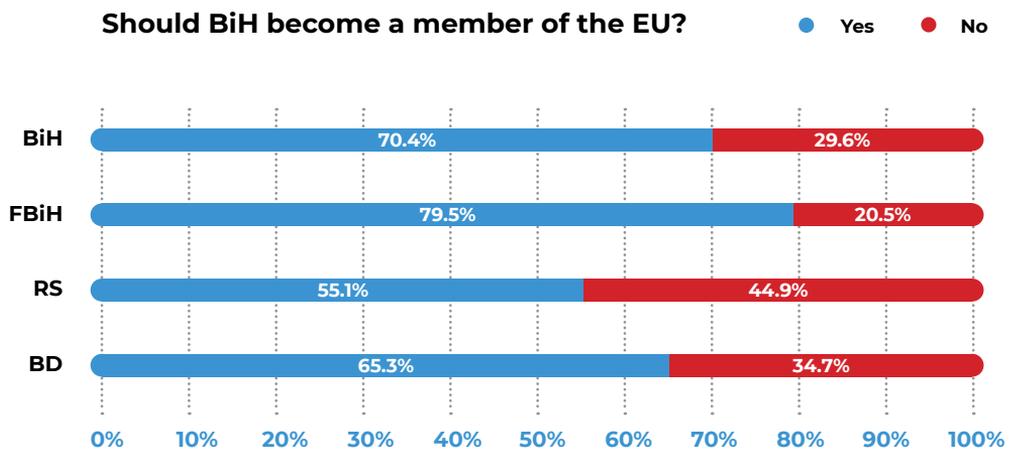
- The ongoing geopolitical and geo-economic division of the world comes with many uncertainties and disruptions. However, it also holds opportunities. On the one hand, it shortens supply chains for industrial goods, referring to reshoring or nearshoring of critical industries such as semi-conductor production. On the other hand, it allows for the rebirth of industrial policies (triggering public investments and subsidies), which, however, also come with strings attached and demanding tough geopolitical and geo-economic choices (export and import controls, rules and regulations, standardisation, conditioned access to third markets such as EFTA, CETA, sanction, etc.).
- The role of the private sector, supported by governmental incentives, could hardly be overestimated. But time is pressing, and competition is fierce among EU member states to profit from the relocation trend of companies withdrawing from China, Russia and other places that have become unattractive for doing business.

- “Relocation” patterns in more traditional industries such as agriculture, food processing (food security) and even tourism can be seen. This goes hand in hand with greening those industries which attract new clientele.
- An emerging regionalisation can be witnessed, e.g. Türkiye looking for economic partnerships in the Western Balkans which could become a gateway for foreign investments.
- Counterproductive pull factors must also be considered such as German recruitment policies to provide German industries and care systems with skilled (and comparatively cheap) personnel from the Western Balkans.
- It is also necessary to address the catalytic trends that might exacerbate emigration from the region such as unabated corruption, state capture by traditional elites, environmental pollution or the impact of climate change – in short: the lack of perspective.

In addition, several medium-term external factors must be taken into account, such as the consequences of Russia’s aggression against Ukraine, the policies pursued by the US President on the international stage and the influence of other global powers, including the EU and the trajectory of its future development, etc.

Public Opinion on Principal Political Directions

Although a prevailing sense of pessimism persists among citizens regarding the country’s overall trajectory, with a majority (59.1%) believing that BiH is heading in the wrong direction, there are nonetheless encouraging signs of support for integration into the EU and NATO. **Seven out of ten citizens (70.4%) believe that BiH should become a member of the EU.**



Marked differences are evident between entities. In FBiH, 79.5% of citizens support EU membership, compared to 55.1% in RS. Similarly, six out of ten citizens across BiH (60.1%) favour NATO accession.

However, support for NATO membership is significantly lower in RS, where only 23.2% share this view, in contrast to 81.8% in FBiH.²⁴⁶

These findings underscore citizens' aspirations for progress and deeper integration into broader European and international frameworks. Such orientations can serve as a critical driver of political and social transformation. Moreover, strong public support for EU integration provides a foundation for achieving national consensus on strategic priorities and motivates political leaders and institutions to pursue these objectives.

²⁴⁶ Raport, Pod lupom: Istraživanje provedeno u BiH: Građani ne vjeruju institucijama i političarima, 70 posto ih želi u EU, 29 November 2024, available at: <https://raport.ba/istrazivanje-provedeno-u-bih-gradjani-ne-vjeruju-institucijama-i-politicarima-70-posto-ih-zeli-u-eu/> (accessed on 6 October 2025)

Projections of the Country's Future

To develop reliable projections of BiH's future development and growth, a broad range of factors must be taken into account. Within the long-term growth model, the well-established Solow–Swan model – also employed by the World Bank – is most commonly applied. This model incorporates core inputs such as savings, investment and productivity, while also accounting for human capital, demographic trends, external variables (external debt, foreign direct investment and import–export coverage) and labour force participation, including disaggregated by gender. By inserting known variables, three potential scenarios and corresponding trends for the next decade are typically formulated. These trends can be extended into longer-term forecasts; however, as the projection horizon lengthens, the influence of external factors becomes increasingly uncertain (particularly the last group of the medium-term external factors identified at the beginning of this chapter). Thus, while such projections rest on informed and scientifically tested assumptions, they should be interpreted with caution as temporal distance increases.

Taking into account all the aforementioned factors – excluding, however, the specific impact of corruption – the projected growth of BiH's GDP yields three tentative scenarios over the next decade.

Projected growth of BiH's GDP

Year	Pessimistic	Neutral	Optimistic
2025	2.0%	3.0%	4.0%
2026	1.8%	3.2%	4.2%
2027	1.5%	3.4%	4.5%
2028	1.3%	3.5%	4.8%
2029	1.0%	3.6%	5.0%
2030	0.8%	3.7%	5.3%
2031	0.5%	3.8%	5.6%
2032	0.3%	3.9%	5.9%
2033	0.1%	4.0%	6.2%
2034	0.0%	4.1%	6.5%

In addition to the factors already discussed, these projections incorporate variables such as political stability and investment conditions, both of which are embedded in the assumptions underpinning the three outlined scenarios. Nevertheless, it bears repeating that actual growth rates could diverge considerably from these estimates due to unforeseen developments.

If the variable of corruption is introduced into these scenarios,²⁴⁷ assuming varying levels over the next ten years and extending the analysis to a twenty-year horizon, up to 2044, the resulting projections become markedly more dramatic.

247 Corruption exerts a substantial negative impact on GDP. According to the International Monetary Fund (IMF), corruption can reduce a country's annual GDP growth rate by up to 1.5 percentage points. Similarly, the World Economic Forum estimates that developing countries lose about USD 1.26 trillion to corruption each year, an amount equivalent to roughly 5% of global GDP.

The effects of corruption manifest through diminished tax collection, wasteful public spending and declining investor confidence, all of which significantly constrain economic development. For example, countries perceived to have lower levels of corruption collect around 4% more in taxes than those facing widespread corruption.

Quantifying the impact of corruption on GDP projections entails a structured process involving multiple steps and underlying assumptions. The approach adopted can be summarised as follows:

Basic projections

The first stage involved establishing baseline GDP growth projections that exclude the influence of corruption. These projections were derived from historical trends, economic indicators and general assumptions about the overall state of the economy.

1. Influencing factors

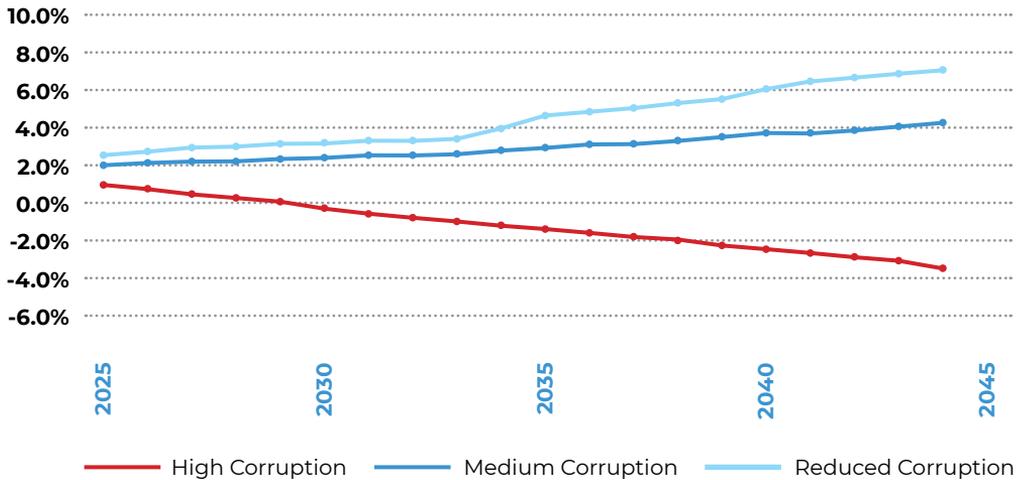
The principal factors through which corruption affects GDP were identified as follows:

- Investment: Reduced due to heightened costs and increased risks.
- Resource allocation: Inefficient allocation caused by favouritism and bribery.
- Transaction costs: Rising costs that slow overall economic activity.
- Public spending: Diversion of funds away from essential services and infrastructure.
- Trust and stability: The erosion of trust weakens investor confidence.
- Policy implementation: Distorted policies result in suboptimal economic outcomes.

2. Quantification of impact

For each factor, we estimated its specific impact on GDP growth. This process included a review of existing research and empirical studies examining the economic consequences of corruption. For instance, evidence indicates that high levels of corruption can reduce GDP growth by as much as 1.5

BiH: Projections of Annual GDP Growth for the Next 20 Years



» percentage points annually.

3. Adjustment of growth rates

Using the estimated impacts, we adjusted annual GDP growth rates for each scenario:

- High corruption: Pronounced negative impact on growth rates.
- Reduced corruption: Positive impact resulting from improved investment, efficiency and trust.

4. Scenario analysis

We developed three scenarios to reflect varying levels of corruption:

- Pessimistic scenario: Assumes that high levels of corruption continue or intensify.
- Neutral scenario: Assumes that current corruption levels remain unchanged.
- Optimistic scenario: Assumes a substantial reduction in corruption.

For each scenario, the adjusted growth rates were applied to the baseline projections to generate updated GDP projections.

Calculation example

The following is a simplified example illustrating the calculation process for an optimistic scenario characterised by reduced corruption:

1. Baseline growth rate: For 2025, the baseline growth rate is assumed to be 3.5%, slightly higher than in the initial table, as the neutral scenario assumes the implementation of minimum required reforms.
2. Estimated impact of reduced corruption: The reduction in corruption is estimated to increase growth by 1 percentage point.

These adjusted projections underscore the profound impact that persistently high levels of corruption can have on economic growth, significantly constraining BiH's potential for GDP expansion. Addressing corruption could substantially improve the country's economic outlook by fostering a more stable and investment-friendly environment conducive to growth. Naturally, a sustained reduction in corruption over time would yield a positive effect on economic growth.

The optimistic scenario illustrates the favourable consequences of curbing corruption, namely, heightened investor confidence, improved efficiency in resource management and a more stable and predictable economic climate.

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- » 3. Adjusted growth rate: $\text{Baseline growth rate} + \text{Impact of reduced corruption} = 3.5\% + 1\% = 4.5\%$.

This adjusted growth rate is subsequently applied to each following year, capturing the cumulative effects of reduced corruption over time.

By quantifying these variables and adjusting growth rates accordingly, a more realistic representation of how varying corruption levels influence GDP growth projections is achieved.

Two Scenarios

Although a neutral scenario also exists – one in which corruption levels decline only marginally, based on the assumption that reforms linked to the EU accession process will yield at least limited progress – the primary focus here is on two contrasting trajectories. The first reflects a continuation of current conditions (business as usual): entrenched corruption and weak economic performance, which have characterised BiH since the period of the so-called constitutional reforms, spanning roughly the past two decades. The second envisions a scenario of renewed momentum and a credible reform trajectory, marked by substantial changes beginning this year and intensifying in the years ahead.

In practice, elements of both scenarios are likely to materialise to varying degrees. These dynamics will produce the following outcomes for BiH in the years and decades to come:

Scenario 1: Continued High Levels of Corruption

Prolonged negative GDP growth will have grave and far-reaching consequences for BiH's society. The primary impacts can be summarised as follows:

1. Unemployment and job insecurity

- Rising unemployment: with economic growth stagnating or contracting, businesses are likely to freeze recruitment or implement layoffs, leading to higher unemployment and increased job insecurity. Publicly owned enterprises remain hubs of corruption, with social policies continuing to be channelled through them.
- Skills mismatch: persistent negative growth widens the gap between workforce skills and labour market needs, making it increasingly difficult for individuals to secure appropriate employment.
- Ongoing emigration.

2. Reduced income and declining living standards

- Falling incomes: with fewer employment opportunities and diminished business activity, average household incomes are declining,

contributing to a deteriorating standard of living.

- Rising poverty: a sustained economic downturn is pushing a growing share of the population into poverty, deepening income inequality. Poverty is widespread, the middle class continues to erode and the divide between a wealthy elite and the majority of low-income citizens becomes increasingly pronounced.

3. Low-quality public services

- Reduced tax revenues: prolonged negative GDP growth diminishes tax revenues, limiting the financial resources available for essential public services such as healthcare, education and social protection.
- Unaffordable public services: as government budgets contract, public services become overstretched, resulting in declining quality and accessibility. The private sector increasingly assumes responsibility for certain services, offering them at substantially higher prices that most citizens cannot afford.

4. Rising public debt

- Increased borrowing: to sustain basic public services and maintain minimal economic activity, governments resort to additional borrowing – often under unfavourable conditions – which rapidly accelerates the accumulation of public debt.
- Debt servicing costs: higher debt levels raise interest rates, further straining government budgets at all levels and reducing fiscal flexibility.

5. Social unrest and political instability

- Rising public discontent: economic hardship drives social unrest, protests and an increase in crime as citizens struggle to make ends meet.
- Prioritisation of security forces: in response to growing tensions, governments channel funds towards police and paramilitary structures at the expense of other public sectors such as education and healthcare.
- Eroding political stability: persistent economic decline undermines what little public trust remains in political institutions and leadership, leading to political instability and a change of government, possibly through radical and violent means.

6. Reduced investments and innovations

- Low investment levels: negative growth undermines business confidence, discouraging investment in new ventures. Innovation slows and productivity stagnates.
- Brain drain: skilled professionals continue to emigrate to countries offering better economic prospects, resulting in a sustained and often irreversible loss of human capital. (The longer this trend persists, the less likely migrants are to return to BiH.)

7. Adverse effects on health

- Mental health: economic hardship intensifies stress, anxiety and depression across society.
- Physical health: falling incomes and overstretched public service systems restrict access to health care, leading to poorer health outcomes.

8. Impact on education

- Funding cuts: continuous negative GDP growth leads to reduced allocations for education, undermining the quality and accessibility of educational services.
- Restricted opportunities: the economic downturn curtails access to higher education and knowledge development, limiting the prospects of younger generations.

9. Long-term economic damage

- Erosion of the economic base: sustained negative growth erodes the fundamental economic base, making future economic recovery and growth increasingly difficult.
- Structural impediments: outdated industrial capacities and deteriorating infrastructure further undermine future growth prospects.

In summary, sustained negative GDP growth exerts profound and far-reaching effects on society, influencing employment, income levels, the quality of public services and overall political stability. Addressing the root causes of economic decline and implementing effective policies are essential to mitigating these impacts and fostering sustainable growth.

A prominent example of a country that has endured a prolonged period of recession is Argentina. Over the decades, the country has grappled with numerous economic challenges, marked by cycles of excessive public spending, high inflation and mounting debt. Since 1951, Argentina has experienced numerous years of negative GDP growth, placing it among the countries with the longest cumulative periods of recession globally.

Scenario 2: Successful Fight Against Corruption

In contrast to the previous scenario, improved effectiveness in combating corruption, combined with strengthened economic growth, would yield numerous positive outcomes for society. The following are some of the principal benefits:

1. Increased investments

- Domestic and foreign investment: lower levels of corruption foster a more attractive environment for both domestic and foreign investors, resulting in greater capital inflows and economic growth.
- Business confidence: strengthened transparency and reduced corruption boost investor confidence, encouraging long-term investment.

2. Efficient resource allocation

- Optimal utilisation of resources: reduced corruption ensures that resources are allocated efficiently, leading to higher productivity and economic output.
- Enhanced public services: improved use of public funds raises the quality and accessibility of public services such as healthcare, education and infrastructure.

3. Accelerated economic growth

- Sustainable growth: lower corruption levels support sustainable economic growth by fostering a stable and predictable business environment.
- Innovation and competitiveness: a transparent and equitable business environment stimulates creativity, innovation and competitiveness, reinforcing economic progress.

- Encouraging members of the BiH diaspora to return and build their lives here.

4. Better public spending

- Improved public services: with reduced corruption, a greater share of public resources can be directed towards essential services such as healthcare, education and social protection, resulting in improved outcomes for citizens.
- Infrastructure development: increased investment and more effective use of public funds enable the implementation of infrastructure projects that enhance economic efficiency and connectivity.

5. Higher tax revenues

- Improved tax collection: lower levels of corruption strengthen tax systems, enabling authorities to collect revenue more effectively and invest it in public goods and services.
- Fiscal stability: enhanced tax revenues contribute to greater fiscal sustainability, reducing the need for excessive borrowing and debt.

6. Political stability and public trust

- Restored institutional credibility: reducing corruption strengthens trust in public institutions, fostering political stability.
- Enhanced social cohesion: transparent and accountable governance promotes social cohesion, thereby reducing the risk of social unrest.

7. Poverty reduction and greater income equality

- Economic opportunities: reduced corruption promotes a level playing field, providing more economic opportunities for all citizens.
- Income equality: improved governance and equitable resource distribution help reduce income inequality and poverty levels.

8. Improved health and education outcomes

- Access to healthcare: improved public spending and reduced corruption boost access to quality healthcare services, leading to better

health outcomes.

- High-quality education: greater investment in education improves the quality and accessibility of educational services, fostering human capital development.

9. Environmental protection

- Sustainable practices: reduced corruption encourages the adoption of sustainable and environmentally friendly practices, which contribute to a better environment and public health.
- Enforcement: improved governance ensures the effective enforcement of environmental regulations, thereby protecting natural resources.

10. Improved regional and global reputation

- Attracting trade and investment: a country with lower levels of corruption and strong economic growth is more attractive to international trading partners and foreign investors.
- Positive perception: enhanced performance in the fight against corruption improves the country's global reputation, encouraging stronger diplomatic and economic relations.

In summary, improving anti-corruption performance in tandem with economic growth fosters a more prosperous, stable and equitable society. The resulting positive effects extend across all spheres of life, including economic opportunity, public services, social cohesion and environmental sustainability.

The Choice Before BiH

The direction in which BiH ultimately moves – and the likelihood of either scenario materialising – depends primarily on internal dynamics, particularly the will of its citizens, as well as on external influences, as has been repeatedly emphasised. These trends will not unfold in a linear fashion; rather, they will fluctuate, rising or falling in response to civic choices and the consistency with which electoral outcomes translate into genuine reform by emerging political actors. What remains certain, however, is that the continuation of current trends – including the recent unconstitutional actions of corrupt leaders – will almost certainly perpetuate decline, potentially accelerating into a steeper trajectory of regression. Even minimal reform could generate moderate growth and allow BiH to keep pace with the rest of the continent and the EU, possibly achieving membership in the medium term. Yet given the country's substantial lag – and its limited access to development funds compared to previous enlargement rounds, as projected in each scenario – many structural problems would persist, even if somewhat reduced. Only radical reforms, rooted in accountability, transparency and the effective prosecution of corruption, can deliver growth exceeding the EU average and transform BiH into an attractive destination for investment, tourism, trade and other sectors, thereby realising the optimistic scenario. These decisive steps must begin no later than the thirtieth anniversary of the Dayton Peace Agreement, as there is simply no room for delay. The responsibility lies foremost with the citizens, who must confront the damage inflicted by ruling elites over the past three decades – much of it documented in this report. Expecting those same elites to initiate meaningful reform or act in the public interest is entirely unrealistic and would inevitably lead to the negative scenario. If the past thirty years have been characterised by apathy and the autocratic rule of corrupt elites, the next thirty must instead be defined by civic responsibility and the restoration of government to its rightful role: serving the people. In practical terms, the so-called “neutral scenario” is untenable. The current authorities have demonstrated no readiness to undertake even partial reform, leaving no scope for “some progress”. After three bleak decades, BiH now stands at a crossroads: will it seek the light at the end of the tunnel, or has the darkness born of war and its aftermath become its accepted reality?

