



# States of Conflict

## A case study on peace-building in Bosnia and Herzegovina

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Challenging ideas – Changing policy

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This paper is based on the results of the author's five-year research project (2003–2008) on the effects of state-building in Bosnia and Herzegovina, published in Berit Bliesemann de Guevara (2009) *Staatlichkeit in Zeiten des State-building. Intervention und Herrschaft in Bosnien und Herzegowina*, Frankfurt a.M.: Peter Lang.

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## 'States of Conflict'

This paper is one of a series. The other papers cover Macedonia, Kosovo, Afghanistan and Haiti. Due for publication in Autumn 2009, they will be available from [www.ippr.org/publicationsandreports](http://www.ippr.org/publicationsandreports)

## Abbreviations

AFBiH	Armed Forces of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CSA	Civil Service Agency
DPA	Dayton Peace Agreement
DFID	Department for International Development [UK]
EUPM	European Union Police Mission
EUSR	European Union Special Representative
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross domestic product
IDC	Research and Documentation Center, Sarajevo
HJPC	High Judicial and Prosecutorial Council
HR	High Representative
IDP	Internally displaced person
ICTY	International Criminal Tribunal for the former Yugoslavia
IFI	International financial institution
IFOR	Implementation Force
IMF	International Monetary Fund
IPTF	International Police Task Force
ITA	Indirect Taxation Authority
JISB	Journal of Intervention and Statebuilding
NATO	North Atlantic Treaty Organisation
NGO	Non-governmental organisation
ODA	Official development aid
OHR	Office of the High Representative
OSCE	Organisation for Security and Co-operation in Europe
PfP	Partnership for Peace
PIC	Peace Implementation Council
PRSP	Poverty Reduction Strategy Paper
RS	Republika Srpska
SAP	Stabilisation and Association Process
SBS	State Border Service
SFOR	Stabilisation Force
SFRY	Socialist Federal Republic of Yugoslavia
SIPA	State Investigation and Protection Agency

UNECE	United Nations Economic Commission for Europe
UNDP	United Nations Development Programme
UNHCR	UN High Commission on Refugees
UNMIBH	United Nations Mission in Bosnia and Herzegovina
USAID	United States Agency for International Development

## Introduction

In early 2009, Bosnia and Herzegovina (BiH)<sup>1</sup> witnessed a familiar spectacle: during negotiations on the future design of the state, the prime minister of the Republika Srpska, one of the country's two main political-territorial divisions, demanded the right of secession for this Serb-controlled entity, while Bosnian Muslim representatives warned that if the dispute over constitutional reforms was not settled, a new war could be the ultimate consequence. Prior to the dispute, the Bosnian Muslim members of the state presidency had threatened to dismantle the country's entity structure, disregarding Serbian interests. The politicians' adverse positions led to splits within both ethno-national<sup>2</sup> communities.

The situation bore a striking resemblance to the period before the Bosnian civil war at the beginning of the 1990s. After more than 13 years of international intervention and ten years of explicit state-building, fundamental problems that could destabilise the Bosnian state remain unsolved.

Since the signing of the Dayton Peace Agreement (DPA)<sup>3</sup> in December 1995, Bosnia has experienced extensive intervention by western states and international organisations with the objective of consolidating peace and building a stable democratic state. During the first four years of peace-building, internationally-prescribed reforms followed the dictates of political and economic liberalisation theories. In 1999–2000, however, the negative effects caused by policies aiming to establish democracy and a market economy prior to strengthening the state led to a strategic shift towards institutionalisation.<sup>4</sup> Since then, Bosnia has become the arena for a massive international state-building project concentrated on the establishment of central-state institutions.

### **Aims and structure of the paper**

This paper explores the effects of international state-building efforts on the Bosnian state. It addresses the central question of what happens when external ideas about what constitutes a 'modern' state conflict with local contexts, asking:

- What kind of state has the international state-building process created in Bosnia?
- What are the limits of this approach?
- Is the export of the liberal state model appropriate as a means of promoting the security and welfare of the Bosnian population?
- What does this all mean for future foreign policy formulation regarding state-building in general?

To answer these questions, the paper takes a step back from the exigencies and challenges of day-to-day politics and looks at the structural determinants of state-building beyond the practices of single actors. From this perspective, explanations of the setbacks of international

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1. Hereafter we use the name 'Bosnia' as an abbreviated way of referring to Bosnia and Herzegovina.

2. 'An ethno-national group usually refers to populations which express an ethnic identity and make a claim to being recognised as a nation' (Cashmore 2003: 148).

3. Officially: General Framework Agreement for Peace in Bosnia and Herzegovina.

4. The main lesson learned regarding the liberalisation strategy is that external democratisation and market liberalisation sets free mechanisms of political and economic competition which are unproblematic in consolidated states. In unconsolidated states, however, they tend to endanger the peace because regulatory institutions are still missing or weak (Paris 2004). In Bosnia, the prolonging of ethno-nationalist rule despite international electoral engineering (Belloni 2004, Manning and Antić 2003), and the appropriation of state assets by powerful elites in the privatisation process (Donais 2002a, Pugh 2002) were but two symptoms of this problem. Therefore, by the end of the 1990s, institutionalisation came to be seen as a precondition for liberalisation (on the genesis of the state-building approach see Bliesemann de Guevara 2008a: 350-1).

state-building cannot be limited to local 'spoiling' or 'corruption'. Rather, local resistance and informal practices have to be seen as evidence of structural limits to state-building whose results are much more ambiguous and less controllable than might be expected.

The main argument is that state-building in Bosnia has contributed to the establishment of what resembles a 'Potemkin state' – the proverbial villages made up of painted façades that Field Marshal Potemkin built for Russian Empress Catherine II during her visit to the newly-conquered Crimea in 1787 in order to hide the true, desolate condition of the region. In other words, state-building in Bosnia has strengthened a formal state façade by means of an internationally-led process of institutionalisation but behind this façade the Bosnian state's capacity and legitimacy have remained precarious.

The paper starts with a brief overview of the country and its recent experience of conflict, and goes on to describe the most important international actors and their approaches towards peace-building in Bosnia. The subsequent section analyses the effects of state-building on the Bosnian state. It argues that the intervention has caused simultaneous, contradictory dynamics of state-strengthening and state-weakening which have resulted in an externally supported, but internally unconsolidated 'Potemkin state'. The findings are illustrated with examples from the three core state functions of providing security, enabling a functioning national economy, and ensuring the rule of law. They are bolstered by the views garnered from interviews between the author and representatives of international and national agencies, organisations and ministries in Bosnia. The paper finishes with some conclusions regarding future foreign policy formulation in the area of international intervention and state-building.

## Bosnia and Herzegovina – an overview

### **Historical background: state-formation and war<sup>5</sup>**

The state of Bosnia and Herzegovina came into formal existence in 1992, when it declared its independence from the Socialist Federal Republic of Yugoslavia (SFRY), following the latter's demise. Yugoslavia's collapse had been foreshadowed in the early 1970s when there was extensive transfer of state functions from the central government to the six Yugoslav republics that were run by powerful elites. By the end of the 1980s, and against the background of a severe economic crisis, Yugoslavia's process of economic and political liberalisation fundamentally challenged the structures of rule, leading to struggles among the elites over ever scarcer power resources and positions.

Multi-ethnic Bosnia was particularly affected by these events. In the process of fragmentation, and due to the lack of horizontal stratification, a feature inherited from socialist times, new political parties were deeply divided along ethno-nationalist lines during their struggle for power. The three main parties of Bosnian Muslims (Bosniaks), Serbs and Croats soon started to carve up the political, economic and social institutions of Bosnia among them, creating three ethno-nationalist systems of rule.

Following the declarations of independence by Slovenia and Croatia, Bosnia also confronted the question of its political future. While Bosniaks (around 44 per cent of the population in 1991) and Bosnian Croats (around 17 per cent) supported the creation of an independent state, the Bosnian Serbs (around 31 per cent) boycotted the referendum on independence and declared the separation of Serb-inhabited areas from Bosnia.

In the spring of 1992, war broke out between Bosnian Serbs (backed by Serbia under Slobodan Milošević) and a loose coalition of Bosniaks, Bosnian Croats and Croatia under the leadership of Franjo Tuđman. The Serbian objective was to create a 'Greater Serbia' encompassing Serbia, Montenegro and all Serb-inhabited areas in Croatia and Bosnia. From the start, the aggressors relied heavily on 'ethnic cleansing' to establish a territorial link between all Serbian areas and to homogenise the population.

In April 1993 the Bosnian Croats also declared an independent republic within Bosnia and its possible unification with Croatia, creating a second conflict line between Croats and Bosniaks. Again, expulsions and 'ethnic cleansing' were among the main instruments of the armed factions. In March 1994, the Bosniak-Croatian 'war within a war' ended with the Washington Agreement, which formally established a federation between the two groups. The state of Bosnia remained split into three para-states controlled by the ethno-nationalist war parties. It took until December 1995 before the war between the federation and the Serbs finally came to an internationally brokered end with the signing of the Dayton Peace Agreement.

### **Political developments after 1995: the 'Dayton system' and its conflictive transformation**

The constitution in Annex 4 of the DPA established a federal state composed of two entities: the Republika Srpska (RS), which is mostly Serb-inhabited, and the Federation of Bosnia and Herzegovina (FBiH), which is predominantly inhabited by Bosniak and Croatian populations and is additionally divided into ten cantons, eight of which are dominated by one of the two groups.<sup>6</sup> This constitutional division of competencies cemented the profound weakness of the central state and provided the two entities with marked state-like qualities. All main

5. For further reading from different perspectives, see, for example, Bennett (1995), Burg and Shoup (1999), Cohen 1995, Dyker and Vejvoda (1995), Ramet (1996), Schierup (1999), Woodward (1995).

6. For critical assessments of the DPA, see Cousens (2002), Cox (1998), O'Brien (2005), Solioz and Vogel (2004).



responsibilities rested with the entities, including the right to levy, administer and redistribute taxes, and to maintain separate military and police apparatuses as well as special relations with Croatia and Yugoslavia. The central state, by contrast, lacked these most basic characteristics of states, that is, the monopolies of violence and taxation.

While this arrangement reflected the division of power at the end of the war, the creation of a political system geared towards multi-ethnic cooperation indicated the wish of international actors to restore a multi-ethnic Bosnian society. The constitution established a tripartite power-sharing system at the central-state level to ensure the participation of all ethno-national groups in the political process and to prevent decisions being made by just one group. Besides ethno-national quotas for political representation, several veto mechanisms were established against decisions believed to imperil a group's vital interests. However, while these arrangements were designed to promote consensus and compromise, in practice they offered ethno-nationalist politicians considerable leeway for blocking the political process.<sup>7</sup>

More than 13 years on, Bosnia's institutional setting has changed considerably. Relying on direct implementation strategies, especially the powers of the international High Representative in Bosnia, as well as conditional 'carrots and sticks' from the European Union, NATO and others (see below), the international actors have succeeded in transferring important competences from the entities and cantons to the central-state level. There have been visible successes regarding the core state functions of security and taxation, for example in military reform, which has resulted in the creation of the unified Armed Forces of Bosnia and Herzegovina (AFBiH), and of the Indirect Taxation Authority (ITA), which provides revenue to the central state. These reforms have reduced the strength of the entities' quasi-state qualities and powers and contributed instead to the strengthening of the central Bosnian state.

However, the limitations of other reform processes mean that Bosnia is still far from sustaining political stability. Reforms to constitutional matters and to the police (see JISB 2007) – which both involved substantial changes of the Dayton system – got waylaid by severe political struggles not only among Bosnians, but also between local and international actors, indicating that there are limits to the external state-building approach. Threats of separation of the Republika Srpska, warnings about the possibility of a new war and attempts to play the ethno-national card are devices that are still used in political discourses, and the Bosnian central-state institutions are apparently still unable to cope with elite power struggles in the way that consolidated states are.

### **Socio-economic development: reconstruction and growth without integration and welfare<sup>8</sup>**

At the end of the war, the economic situation in Bosnia was dire. The World Bank estimated that total war damages came to US\$50–70 billion. More than half of all buildings were damaged, and large parts of the electricity, road, railway and telecommunications networks were affected. GDP had sunk by 80 per cent compared with 1990 levels, and in 1997 remained as low as US\$500 per capita. Industrial production had decreased to 90 per cent of the pre-war level and many assets were damaged (Herti *et al* 2000, World Bank 1996). The economic, financial and fiscal systems were divided along ethno-nationalist lines, with different currencies being used in the three para-states, thereby erecting quasi-customs borders within Bosnia.

7. On the political system and the external democratisation process in Bosnia, see, for example, Bose (2002), Chandler (2000), Perry (2005), Schwarz and Herges (2003), Solioz and Dizdarevic (2003).

8. On socio-economic development in Bosnia, see, for example, Bojičić-Dželilović, Čaušević and Tomaš (2003), International Crisis Group (2001), Pugh and Cooper (2004), Pugh (2002, 2005), UNDP BiH (2006, 2007).

The physical dislocation of people caused by the war was also severe. More than 97,000 people died in the violent conflict.<sup>9</sup> Around 2 million of the 4.4 million inhabitants counted in the 1991 census were displaced from their homes, either seeking asylum in foreign countries or moving as internally displaced persons (IDPs) to other parts of Bosnia (Ó Tuathail and Dahlman 2004). In 1995, unemployment stood at 90 per cent, and around 90 per cent of the population depended on humanitarian assistance for basic survival (Herti *et al* 2000).

Physical reconstruction and humanitarian assistance were therefore the initial priorities for international actors working in Bosnia. The high levels of official development aid (ODA)<sup>10</sup> flowing into Bosnia during the first four years of intervention provided the financial basis for material reconstruction. At the same time, the market, monetary and banking systems were reunified as the basis for economic growth. In 1997, the international actors also started the process of privatising socially-owned assets. The international aid and liberalisation strategies were successful with regard to physical reconstruction, humanitarian assistance and the creation of a common Bosnian market with a national central bank and currency. However, the strategies also enabled local elites to siphon off revenues for personal enrichment and to finance parallel power structures, challenging the authority of the Bosnian state (Andreas 2004a, 2004b, Donais 2002a, Festić and Rausche 2004, Pugh 2002).

Since the strategic shift to institutionalisation in 1999–2000, economic intervention, mainly by the World Bank, the IMF and the OHR, has been geared towards the creation of a resilient business and investment environment and promotion of macroeconomic stability as the basis for economic growth. Strict budgetary discipline, effective taxation and structural adjustment have been the main aims guiding the policies of international actors.

There have been several tax reforms, including the introduction of a value-added tax and a progressive income tax, which have contributed to higher and more predictable state revenues. However, these economic strategies have, to date, been unable to fight the high levels of unemployment and poverty. Although real growth between 2001 and 2007 reached an average of 5.4 per cent (with peaks of almost 7 per cent in 2006 and 2007), the unemployment rate was still more than 47 per cent in 2006 (UNECE 2009). Activities in the informal sector were estimated at forming 43 per cent of total employment in 2004 (Krstić and Sanfey 2006). Officially, remittances amount to 20 per cent of the GDP, with actual numbers probably much larger (World Bank 2007). The poverty rate in Bosnia was nearly 20 per cent in 2004 (Council of Ministers of BiH 2004) and the United Nations Development Programme (UNDP) said that around 50 per cent of the Bosnian population was socially excluded in one way or another, with women, pensioners and young people being those most affected and vulnerable (UNDP BiH 2007). In 2008 nearly two thirds of young people between 18 and 35 years said they would emigrate if they could due to the lack of socio-economic prospects (Early Warning System 2008: 47).

In the social sector, a main focus of the first phase of intervention was on the return of refugees and internally displaced persons to their places of origin (as provided for in the Dayton Peace Agreement, Annex 7) and on the implementation of human and minority rights (DPA, Annexes 4 and 6). Both processes were hampered, however, by problems arising from weak and politicised institutions, including ethnicised police forces, judiciaries and public administrations (International Crisis Group 1999a, 1999b, 1999c, Judicial System Assessment Programme 2000).

In 1999, the international actors initiated reforms of the judiciary and public administrations which aimed to increase efficiency and effectiveness and to promote more independence

9. Preliminary result of the 'Population Loss Project 1992-1995' conducted by the Bosnian non-governmental organisation Research and Documentation Center (IDC) (see [www.idc.org.ba](http://www.idc.org.ba)).

10. On ODA level developments in Bosnia, also as compared to other interventions, see Suhrke and Buckmaster (2006).

from political and social influences. These processes also led to the establishment of new central-state institutions, such as the High Judicial and Prosecutorial Council (HJPC) and the Civil Service Agency (CSA).

In the matter of property restitution the international actors were able to give back almost all occupied houses, flats and lands to their pre-war owners. However, although the process of returning people to their homes gained some momentum, property restitution cannot be equated with return, as many refugees and IDPs sold or rented their properties (see Donais 2002b, Heimerl 2005, Ó Tuathail and Dahlman 2004). All these processes fell under the heading 'rule of law', which became the central catchphrase of the intervention and has since been a benchmark against which local practices are measured. This included, among other things, more emphasis on the fight against corruption and the detention of indicted war criminals (see Chandler 2007, Ó Tuathail 2005 for critical assessments).

## The international intervention in Bosnia and Herzegovina

### **Who? Core international actors in Bosnia**

In this section, which is not intended to be exhaustive, we give an overview of the main actors and areas of commitment.

The international intervention in Bosnia consists of a military and a civil component. The military component started as a NATO-led Implementation Force (IFOR) consisting of 60,000 international troops with a robust mandate. In 1997, it was transformed into the Stabilisation Force (SFOR). Its mandate included preventing a resurgence of violence, facilitating the safe return of refugees and IDPs and detaining war criminals. During the initial phase of intervention SFOR was a main guarantor of peace and enforcer of the international civil agencies' direct interventions into local power constellations. By 2004 the security situation had improved significantly and the military component had been reduced to 7,500 troops, at which point SFOR was replaced by the EU-led EUFOR/Operation ALTHEA. To date, this force amounts to 2,500 soldiers.<sup>11</sup>

On the civil side, the Peace Implementation Council (PIC)<sup>12</sup>, its Steering Board<sup>13</sup> and especially its appointee, the High Representative (HR), have been at the centre of the intervention. As per Annex 10 of the DPA, the HR's initial tasks were to monitor, coordinate and facilitate the peace process. In view of local blockades, however, the PIC extended the HR's powers considerably by the end of 1997. The so-called 'Bonn powers' enable the HR to divest elected politicians and other state officials of office and to decree legislature, turning Bosnia into a semi-protectorate. As the main coordinator of the internal efforts in Bosnia, the Office of the High Representative (OHR) has been involved in all reform processes in one way or another, building the gravitational centre of the intervention.<sup>14</sup>

Another main actor is the Organisation for Security and Co-operation in Europe (OSCE), which has been active in a great number of fields ranging from operational tasks like regional military stabilisation and demobilisation and the organisation and overseeing of elections, to policy formulation and monitoring tasks in the processes of military, judicial, public administration and education reforms.<sup>15</sup>

The international financial institutions (IFIs) – particularly the World Bank and the International Monetary Fund (IMF) – have been at the core of economic reconstruction and reform in Bosnia, coordinating these processes, providing loans and credits, building core financial and economic institutions, and defining and controlling economic and fiscal policies by means of conditionality and monitoring.

The United Nations and its sub-organisations have played a lesser role in Bosnia than in other intervention cases. Most importantly, the United Nations Mission in Bosnia and Herzegovina (UNMIBH) deployed the International Police Task Force (IPTF) whose main tasks were to screen police officers and to support other reform projects geared towards democratic, multi-ethnic policing and the depoliticisation of the police. IPTF was replaced by a European Union Police Mission (EUPM) in 2003.<sup>16</sup> UNMIBH was also engaged in judicial

11. See [www.euforbih.org](http://www.euforbih.org)

12. The PIC comprises 55 countries and agencies that support the peace process via financial assistance, providing troops for SFOR, or directly running operations in Bosnia, plus providing observers ([www.ohr.int/ohr-info/gen-info/#pic](http://www.ohr.int/ohr-info/gen-info/#pic))

13. Members: Canada, France, Germany, Italy, Japan, Russia, UK, US, the Presidency of the EU, the European Commission, and the Organisation of the Islamic Conference (OIC), which is represented by Turkey ([www.ohr.int/ohr-info/gen-info/#pic](http://www.ohr.int/ohr-info/gen-info/#pic))

14. See [www.ohr.int](http://www.ohr.int)

15. See [www.oscebih.org](http://www.oscebih.org)

16. See [www.eupm.org](http://www.eupm.org)

reforms. The UN Refugee Agency (UNHCR) assisted in the process of refugee return, while the UN Development Programme has assumed monitoring and assistance functions in the areas of democratic governance, poverty reduction, crisis prevention and recovery, and energy and environment.<sup>17</sup>

Apart from their representation in the PIC and its Steering Board, western countries have also been present in the form of bilateral development agencies, taking the lead in certain reform areas.<sup>18</sup> In recent years, key players providing bilateral aid have been the US, Sweden, Germany, the Netherlands, Austria, Japan and France.<sup>19</sup> The work of the governmental intervention agencies was accompanied by a high but declining number of international and local NGOs.

Since 2000, the European Union's role has expanded noticeably, resulting not only in the aforementioned deployment of EUFOR and EUPM, but also in a double-function of the HR as European Union Special Representative (EUSR) since 2002. The objective of the European Commission Delegation to Bosnia has been to provide the country with support for the stabilisation and association process, including peace consolidation, ethnic reconciliation, refugee return, institution-building, democratisation, rule of law, human rights, sustainable economic development, and facilitation of the harmonisation with EU standards and principles. Within the framework of the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme, the EU provided 4.6 billion Euros to support institution-building in Bosnia between 2000 and 2006; since 2007 further assistance has been provided through the new Pre-Accession Instrument (IPA).<sup>20</sup>

Finally, NATO has also played a major role through its 'Partnership for Peace' (PfP) programme. In addition to providing assistance for security sector reforms, aspirations to NATO accession expressed by the State Presidency of Bosnia in 2001 provided the international community with conditional carrots and sticks to further the processes of military reform and the detention of indicted war criminals. Indeed, accession talks were tied to a number of requirements, such as the creation of unified armed forces instead of two separate armies, the adjustment of equipment and organisation to NATO standards, and, most importantly, a stronger commitment of Bosnian Serb representatives to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY).<sup>21</sup>

### **How? Peace- and state-building strategies in Bosnia**

The international intervention in Bosnia has been dominated by two types of strategies: operative and conditional-structural ones (see Richter 2009: 94-96). Operative strategies are direct forms of interference or project implementation by international actors. In Bosnia, the intervention agency which has most frequently resorted to operative strategies is the OHR with its Bonn powers. The two main advantages of direct interventions are that they facilitate crucial reforms and institution-building processes which otherwise might not come into being due to a lack of capacity or willingness on the side of local actors, and that they ensure the protection of vulnerable groups. The HR's decision to establish car licence plates that would not reveal a person's origin, for example, is often cited as a central success of

17. See [www.un.org/Depts/dpko/missions/unmibh](http://www.un.org/Depts/dpko/missions/unmibh) for UNMIBH, [www.unhcr.ba](http://www.unhcr.ba) for UNHCR and [www.undp.ba](http://www.undp.ba) for UNDP in BiH.

18. For example, the US Agency for International Development (USAID) was largely responsible for the privatisation process, the UK's Department for International Development (DFID) has engaged in public administration reform, and the German GTZ has tried unsuccessfully to establish a direct tax system in the Brčko district (see [www.usaid.ba](http://www.usaid.ba) for USAID, [www.gtz.de/en/weltweit/europa-kaukasus-zentralasien/651.htm](http://www.gtz.de/en/weltweit/europa-kaukasus-zentralasien/651.htm) for GTZ and [www.dfid.gov.uk/Where-we-work/Europe/Bosnia-Herzegovina](http://www.dfid.gov.uk/Where-we-work/Europe/Bosnia-Herzegovina) for DFID).

19. Of these, only the US, Germany, Japan and France are also members of the PIC Steering Board.

20. See [www.delbih.ec.europa.eu](http://www.delbih.ec.europa.eu)

21. See [www.nato.int/issues/nato-bosnia-herzegovina/index.html](http://www.nato.int/issues/nato-bosnia-herzegovina/index.html)

operative strategies, as it provided for free movement of all persons all over Bosnia. The most important disadvantages of direct interventions are that they tend to prioritise pragmatic solutions which take a 'least common denominator' approach to ending acute conflicts but which might impede further reforms, that they tend to polarise conflict lines between antagonistic actors and to hinder compromise, and that they further local dependency at the cost of ownership.

Conditional-structural strategies, by contrast, are based on the premise of the existence of rational actors which can be influenced by conditionalities – that is, tying specific reform demands to aid, loans or aspired memberships, incentives and monitoring, as long as they are also provided with capacity through transfers of knowledge and technologies. In Bosnia, such strategies have become a strong incentive for reforms since the convergence process with the EU started in the late 1990s – not only because of the carrot of possible EU accession, but also because the EU's general enlargement approach involves an emphasis on reform ownership accompanied by technical assistance.

Conditional-structural strategies are supposed to ensure a compliance of values and standards without jeopardising local ownership – whether a reform is implemented ideally depends on local actors. In Bosnia, however, conditionalities have worked differently insofar as they have in many cases been overshadowed by the 'Damocles sword' of the Bonn powers. The most important disadvantage of these strategies is that the political elites might get between the 'frontlines' of international and local demands: if they take the international side, reforms will most likely lack local legitimacy, while the decision to defend the local point of view might considerably limit the possibilities of external assistance.

In Bosnia, the centralisation efforts in the course of the police reform illustrated this problem (see *JISB* 2007). Caught in the middle, the Serbian representatives decided to ignore international conditionalities and to defend the ethno-national position of their constituency – partly due to mere power considerations, yet also because they would otherwise have lost their social basis. As research has shown, such social constraints do not only affect ethno-nationalists but all political actors: 'In such a political environment, which is dominated by the search for protection of national rights and interests, more moderate parties insist that they have to adjust to the prevailing mindset of the voters in order to ensure their own political survival' (Kostić 2007: 343).

Both strategy types, operative and conditional-structural, face the challenge of how to transfer internationally-supported state institutions into local hands without jeopardising the attainments of state-building. A significant dispute among international actors in Bosnia today concerns the question of whether the HR should definitely refrain from use of the Bonn powers. The US has stuck to an intervention approach characterised by powerful operative instruments, wishing to maintain its influence on reform outcomes. The EU, by comparison, has tended to support actors who put more emphasis on the ownership of the political process itself, arguing that only conditional-structural strategies can ensure the strengthening of local state capacity and legitimacy.

As the subsequent analysis of the successes and failures of state-building in Bosnia will show, both international strategies are flawed when it comes to the question of transferring control of the state into local hands. Institutions built by operative strategies tend to lack legitimacy because they have not emerged 'organically' through a genuine political process, resulting in a 'Potemkin state'. Conditional-structural strategies, by contrast, leave more room for local initiative and acceptance, but the outcome of reforms usually differs from the one envisaged because reforms implemented by local actors tend to be twisted to suit their own purposes, and new forms of rule usually meld with older forms into hybrid structures. The outcome might not be a state that is hollow, yet it will probably differ fairly significantly from the western models underlying state-building (Bliesemann de Guevara 2008a, Ottaway 2002).

## International state-building in Bosnia

International state-building is based on the premise that a state, understood as a set of institutions and functions according to western models and norms, can be built and strengthened via comprehensive 'institutional engineering' by external actors. In theory, these states are then able to implement and enforce international norms in order to contribute to the security and welfare of their populations (Bickerton 2007, Ottaway 2002). Looking at the case of Bosnia, however, the question arises of whether exporting the western state model is the best way to strengthen state capacity and responsibility.

The peace process in Bosnia seems stuck between a violent, conflictive past and an envisioned state of security, political stability and socio-economic welfare which has yet to be reached. Whether Bosnia's glass is half full or half empty depends very much on the beholder's point of view. For advocates of the state-building approach, the Bosnian example shows that international interventions are capable of ending violence and rebuilding states based on modern institutions and norms; in this view, Bosnia just needs more time, international commitment and possibly EU accession prospects to consolidate its state.<sup>22</sup> Critics, on the other hand, argue that the main aims of state-building in Bosnia – the consolidation of state institutions, some form of nation-building among the three ethno-national groups, and economic development that has positive effects on individuals – have still not been achieved despite the extensive intervention.

These mixed findings hint at a central tension in the state-building process in Bosnia: state-strengthening and state-weakening dynamics coexist,<sup>23</sup> creating some institutionalisation successes but at the same time leaving the state unconsolidated and its future unclear. State-weakening dynamics are not predominantly rooted in local unwillingness to cooperate, as some might suggest, but rather in the structural limits to the intervention itself, as will be discussed in the following sections.

## State-strengthening dynamics

### Political expropriation of state antagonists

The weakening of the ethno-nationalist elites (who at first maintained parallel projects of rule) by the intervening agencies, especially the OHR, was the most important precondition for further processes of strengthening the central state in Bosnia. The dismantling of illegal financing channels, the reduction, reform and control of local military and police forces, as well as structural reforms of public administration and judiciary were key strategies designed to curtail the ability of ethno-nationalist elites to maintain parallel power structures, to politicise state agencies, and to accommodate clients through redistribution of money and posts. The international agencies' political, economic and military powers gave them particular strength to target the ethno-nationalist antagonists.

The 'political expropriation' of state antagonists was a necessary precondition for state consolidation and paved the way for the later institutionalisation of core functions at the central-state level. Yet, as this depended on the powers of the international actors, it was not sufficient and led neither to an automatic strengthening of central-state power and capacity nor to the establishment of supremacy of the central state over its constituent parts.

22. See for example Paris 2004. The time argument can often be read in policy recommendations and is convincing at first sight because structural reforms tend to need generations to take hold. However, from the structural perspective on the effects of state-building presented here, there are not many hints that a prolongation of international commitment would change the main dilemmas of state-building outlined below.

23. Practices are *state-strengthening* when they are consistent with the 'ideal' of a modern state in that they favour the institutionalisation of power and promote the expansion of state rule. *State-weakening* practices hinder state institutionalisation and legitimacy and favour behaviour that escapes, resists or bends the rules of the state (Migdal and Schlichte 2005).

### **Institution-building**

The establishment of institutions and functions at the central-state level was a key success of the institutionalisation approach adopted by the international actors in 1999–2000. The establishment of new central-state institutions and agencies like the Indirect Taxation Authority (ITA), the State Border Service (SBS), the State Investigation and Protection Agency (SIPA), the Armed Forces of Bosnia and Herzegovina (AFBiH), the High Judicial and Prosecutorial Council (HJPC) and the Civil Service Agency (CSA) testifies to the effectiveness of the state-building approach in building formal state structures.

The new state institutions were partly the result of reform processes initiated by the OHR and other intervention agencies and partly connected with the exigencies of the EU's Stabilisation and Association Process (SAP). This process of 'member-state building' provided strong impetuses for institutionalisation and modernisation, for example through the European Commission's feasibility study for Bosnia which listed the areas in need of reform if Bosnia wanted to join the SAP (EC 2003) and through several sector reports prepared by the EC Delegation to Bosnia (2004, 2005a, 2005b). All in all, the international institution-building efforts brought the form and functions of the Bosnian state in line with internationalised norms.

A less acknowledged mechanism that also led to the transfer of functions to the central-state level was what could be termed 'local problem-oriented state-building', or forms of voluntary transfer of responsibilities from the sub-state to the state level in order to solve common problems. This is mostly found in areas of low prestige and outside the main focus of international intervention, like the voluntary centralisation of functions in the health sector. Such local state-building efforts tend to be overlooked due to the overwhelming importance of the internationalised reform processes, but they have contributed to state-strengthening dynamics in Bosnia.

### **State rationalisation and modernisation**

A third factor contributing to the strengthening of the state in Bosnia was the establishment of many international reform programmes aimed at the creation, modernisation and rationalisation of state agencies from the community to the central-state level. These reform programmes, which included the computerisation of tax processing, personnel training and procedural reforms in the police, judiciary and public administration, led to increases in the efficiency of state services.<sup>24</sup> They also contributed to lowering the high levels of corruption, patronage and private appropriation of state resources that had characterised the first years of post-conflict peace-building.

Among younger Bosnian civil servants, these efforts also seem to have resulted in a form of 'mental state-building'. The normative strategies of intervention – for example the inclusion of local experts in the process of Poverty Reduction Strategy Paper (PRSP) formulation or the many forms of personnel training and advice – have had effects on the formation of a modern bureaucratic culture. However, enduring corruption and state politicisation indicate that the question of whether the rationalised working routines and newly-erected control agencies will function without international support and monitoring and whether they can infiltrate the general behaviour of Bosnian state agents remains unanswered.

### **State-weakening dynamics**

#### **Structural and power-related determinants of state formation**

A main problem of the state-building approach outlined above is its technocratic nature and its neglect of the historical, political and social processes that necessarily bend its course and influence its outcome. Post-conflict state-building does not take place in a vacuum but has

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24. In the area of tax administration, for example, see Rozner *et al* (2005).



to build on the social, political and economic structures in place. For example, international state-building efforts have had to contend with Bosnia's dependency on internationalised revenue sources to finance its rule, and with the working routines based on personal relationships instead of impersonal procedures that characterise Bosnian state bureaucracy – both of which are structural inheritances from its Yugoslav past. Structural path dependencies are not predetermined or unchangeable, but they tend to be quite persistent and to endure in hybrid mixtures with new structures imposed from outside.

International state-building projects are also influenced by the reactions of local actors with specific interests and repertoires for action. The Bosnian state, just as any other, is a dynamic field of power in which multiple state and non-state actors from the international to the local level struggle 'to have their rules, whether state law or some other implicit code, become the routine basis upon which people act' (Migdal and Schlichte 2005: 15). Although the Bosniak wish to strengthen the central state has often converged with international objectives, this position has been as oriented towards power and group-specific interests as the often resisting positions of Bosnian Croats and Serbs. Bosniak politicians support the idea of a Bosnian state because, as the biggest population group, they hope for greater political influence in a more centralised state.

The congruency between Bosniak and international objectives enabled the former to take advantage of the international powers in order to further their interests and power positions with respect to other groups. This is one of the main reasons why the Bosnian Serbs are sceptical about further state centralisation and criticise international partiality. Although at first glance it appears that the Bosniaks' 'tactical state-building' is contributing to the institutionalisation process in Bosnia, the downside is that it has hindered the legitimacy of new state institutions among large parts of the non-Bosniak population. The approaches taken by international actors in Bosnia have proved unsuccessful in resolving these structural and power dilemmas of state-building.

### **The resource dilemma**

The reduction of resources central to the process of political expropriation of state antagonists also had strongly negative effects on central-state institutions. After 1999, international aid to Bosnia fell drastically. In 1999 official development aid (ODA) still amounted to over US\$1 billion; by 2000 it had shrunk to around \$737 million and to only \$565 million in 2002. The sum of international grants and loans, including externally-financed state investment projects, had stood at nearly 27 per cent of Bosnia's total state income in 1998 but decreased steadily to around 10 per cent in 2005 (OECD.stat, Dataset DAC 2a and IMF 2003, 2005, 2006).

Declining ODA and strict budget constraints have left the central state with little financial leeway to initiate political programmes of its own. Furthermore, the IFIs have constricted the state's financial, economic and fiscal policies. Although the aim of the IFIs' neoliberal politics is to impede corruption, budgetary restrictions have deprived the state of the resources necessary to address societal problems and demands, and to generate basic legitimacy through material redistribution and the creation of individual economic opportunities. The neoliberal adjustment of state institutions and the often technocratic forms of economic intervention have also hindered local initiatives. Lack of money and the need to economise have therefore limited the Bosnian state's capacity and legitimacy.<sup>25</sup>

### **Local informal practices**

Local actors, caught between international reform demands and resource constraints on the one hand, and their socio-historical embeddedness in local contexts on the other, have resorted to informal institutions and practices to cope with the situation. While the high

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25. For more detail see Bliesemann de Guevara (2008b).

levels of private appropriation of state resources that dominated the first phase of peace-building in Bosnia were successfully curtailed by international actors, other forms of informal state structures are more enduring. Persisting forms today consist mainly of petty corruption like the police's illegal road charge systems and practices of bribery in the state bureaucracy. The circumvention of the state in this way has particularly come to the fore in the economic sphere, where the state system of taxation and redistribution is systematically undermined by activities in the informal sector (see Bliesemann de Guevara 2008b).

### **Internationalised façade, unconsolidated content**

So it appears that state-strengthening dynamics – especially the establishment of new central-state agencies and the modernisation and rationalisation of existing institutions – have led to structures which, at least formally, are very similar to modern western states. However, at the same time state-weakening effects of state-building are making themselves felt, creating formal state institutions that lack the capacities and legitimacy characteristic of a consolidated modern state. The maintenance of the state still depends in many ways on international support, and there are few signs of there being any sustainable consolidation of state capacity and legitimacy. Understanding these hurdles is crucial to understanding the limits of international state-building.

### **Internationalisation**

State-building in Bosnia has led to an extensive internationalisation of the state – that is, a deep embeddedness into and dependence on international structures and actors – which persists today, even though there has been a change in the form of internationalisation over the course of intervention.

In the area of state revenues and national economy, this change can be detected, firstly, in the reduced amount of ODA flowing into Bosnia, and secondly, in altered intervention instruments. In the context of the IFIs' general strategy shift away from the orthodox neoliberal Washington Consensus, and relying on the new central-state institutions, the international agencies now resort more to instruments based on local participation and a higher degree of ownership, such as the World Bank's Poverty Reduction Strategy Papers. However, the way in which the Bosnian state is internationalised has remained largely unchanged. Bosnia is still dependent on international credit and loans to finance budget deficits, foreign debts and public investment projects. Furthermore, the underlying neoliberal ideology with its emphasis on budgetary discipline and sustainability has remained largely in place. Despite more participatory forms of economic strategy formulation, IMF and the World Bank still have the final say on economic, fiscal and financial policy issues, and there is little room for national policy initiatives in the economic sector.

In the security sector, the evidence regarding state internationalisation is ambiguous. For instance, the police have remained relatively resistant to international influences. Thanks to international reform projects by IPTF and EUPM, there has been an adaptation of working routines to international policing standards. The creation of new central-state institutions such as the State Border Service and the State Investigation and Protection Agency, which are compatible with international structures, can also be seen as forms of internationalisation of the police in Bosnia. However, local interests and resistance have limited reforms of the core police apparatuses in the entities and cantons. The international actors have been unable to enforce the model, envisioned by the HR, of centralised police forces with entity-crossing operational districts.

The military sector, by contrast, is almost completely internationalised. The form of the military apparatus – its operational organisation, equipment, training and so on – has been adapted to NATO standards in the course of the accession process to the Partnership for Peace programme. The role of the military within the state has also been internationalised: it has changed from that of an ethno-national defender to that of a post-modern, multilateral

peacebuilder. International and local actors alike promote this new role, the former because they hope for positive effects from the common participation of soldiers from all three ethno-national groups in international interventions, the latter because they want to show that Bosnia is ready for equal and responsible membership in the international community of sovereign states.

The third form of internationalisation in the military sector is the outsourcing of its security and defence function to international troops. Although less than one quarter of the population fears another outbreak of war if the international security forces withdraw (Early Warning System 2007), most local actors still do not see the state as a central guarantor of security in the country, preferring to rely on the international civil and military agencies in this respect.

In the area of law, the internationalisation of the Bosnian state can be detected, firstly, in the function of law production. According to the Dayton Peace Agreement, the European Human Rights Convention is directly applicable to Bosnia and has priority over all other laws. Additionally, Bosnia has signed up to other international human rights treaties, making the state formally accountable to the highest standards of internationally recognised universal rights. Furthermore, the international agencies in Bosnia have influenced the law-making process by drafting or advising on the creation of new laws. In the first phase of intervention, the OHR was the most important locus of such activities; later the EU and its Copenhagen criteria came to be a strong incentive for law production, leading to a high degree of internationalisation of the law-making process.

Secondly, the function of law implementation and enforcement has been internationalised. This is not only the case in areas such as international criminal law where the indictment of war criminals by the International Criminal Tribunal for the former Yugoslavia (ICTY) in The Hague is a visible form of international interference. The deployment of judges, prosecutors and judicial experts to Bosnia's courts has also ensured an at least partial influence of international actors and norms on the functioning of the judicial system. Leeway for local interpretations and room for manoeuvre remain limited.

From an international statebuilder's perspective, the internationalisation of the Bosnian state is a positive thing, as long as it leads to the establishment of state institutions whose capacity and legitimacy contribute to a consolidation of the state as an intermediary between the international level and the local society, able to proceed and implement internationally produced norms and values. But the internationalised Bosnian state's capacity and legitimacy have remained highly precarious, calling into question these basic premises of state-building.

### **Limited state capacity**

State capacity means being able to set and enforce binding rules. The ideal for a modern state is to have supremacy over, and autonomy from, all groups of society, with an all-encompassing regulatory capacity and no particular groups are able to elude state regulations. A core precondition for state capacity is resources – revenues, above all, but also trained personnel and functioning working routines.

State capacity in Bosnia has remained limited by actors at both the international and the local levels. In areas in which the state is highly internationalised and has to submit to the rules of the intervention agencies, the state is decoupled from the local political process. This is especially visible in the shift of the state's reference of accountability from the societal to the international level. The consent and control of public budgets by the IFIs on the premise of economic neoliberalism, the internationalisation of the form and functions of the military and its defined role as post-modern peacebuilder, and the priority of international over national laws and customs are examples of this dynamic. These internationally determined rules do not leave much leeway for alternative national politics.

In areas that are less internationalised, by contrast, there are indications of state rule becoming less formalised and of the state-building project becoming derailed in the course of conflicts, negotiations and compromises between the diverse international and national actors. The circumvention of rigid budgetary reforms via informal financing practices, political actors' informal strategies to keep their control over the police, as well as the numerous practices by state agents to interpret the often internationally-dictated rules and categories of administration in their favour are some examples of the tendencies of state informalisation.<sup>26</sup> The effect of these informal practices is that the state's autonomy from political and social influences has remained limited and the internationally supported state façade has not been backed up with the legal-rational forms of rule that are the primary source of legitimacy in a modern state.

The limits of state autonomy with regard to powerful elites are most visible regarding the police at the level of entities and cantons. Despite visible advancements in police performance and although they are no longer as ethnicised as during the war, the police are still politicised and tend to serve political leaders rather than citizens, providing powerful political and economic actors with the leeway to circumvent the law. This also has implications for the judicial system. Although relatively autonomous from political and social influences today, the judiciary's ability to take action against powerful political and economic actors remains limited by the latter's influence on police and public prosecution.

It is not only powerful elites who limit the state's autonomy. There is a mutual dependency between associations of war veterans, invalids and families of fallen soldiers on the one hand, and political parties on the other, that was established during the war to ensure the internal coherence of the war parties. This mutual dependency is the reason why big parts of the state's social expenditures flow towards these clients who, due to their numerical strength and moral weight, are able to exert influence on political elites. Although these kinds of networks have been weakened, the problem is that there are few alternatives to fill the void this leaves.<sup>27</sup>

As long as the socio-economic situation in Bosnia remains precarious, any social reforms might destabilise the nascent and still politically and socially contested state. Policies cushioning the mid-term negative effects of necessary structural reforms in the social sector, such as the provision of work to unemployed war veterans by local communities in order to cushion cut-backs in welfare transfers, are feasible but costly and would depend on the consent of the international actors in Bosnia. Unsurprisingly, the IFIs' core priorities until now have been: economic growth, realised by relying almost entirely on creating a stable business environment, and strict discipline over the public budget – a strategy that has proved to be insufficient as a means of expanding the labour market (Pugh 2007); the reduction of poverty (UNDP Bosnia 2007); and strengthening of the welfare system.

Local policy initiatives – such as (limited) protectionism or state employment in the industrial and agricultural sector (see Pugh 2008) – have been systematically blocked. For example, an attempt by Bosnian actors to include an interim tariff protection for agricultural goods in the Poverty Reduction Strategy Paper – in order to strengthen the precarious agricultural sector which is an important part of the Bosnian labour market – was blocked by the IFIs. Likewise, Bosnian parliamentarians' concerns that the introduction of a single-rate value-added tax would adversely affect the poor were dismissed by the international actors (Bliesemann de Guevara 2008b). This deep internationalisation of the economic sphere has strongly limited the Bosnian state's room for manoeuvre.

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26. On the power games evolving around bureaucratic categorisations, see Vetter 2007.

27. On the role of war veterans, see Bojičić-Dželilović (2006), Bougarel (2007), Grandits (2007), Gregson (2000).

### **Lack of state legitimacy**

A second dimension of the modern state is its social embeddedness and legitimacy. Functionally, states generate a certain degree of legitimacy by providing basic forms of security and welfare. Beyond that, the modern state is ideally characterised by a service-oriented, impersonal bureaucracy and a strong and impartial legal system. From this legal-rational functioning it can then derive further legitimacy. Indeed, only if people accept and make use of state institutions can the institutionalisation of state rule be enduring.

In the internationalised security sector, the containment of ethnic violence has been conducive to a certain basic legitimacy of the state – regardless of the question of whether national or international actors provide for the enforcement of the monopoly of violence. Beyond this very basic level however, it is difficult to judge the extent to which the reformed and partly centralised apparatuses of the military and police are seen as legitimate by Bosnian citizens and the security forces themselves. Enduring ethno-national differences within the centralised Armed Forces (AFBiH) as well as the lasting politicisation and petty corruption of the police give reason to suppose that the consolidation process of the security apparatuses of Bosnia has not yet been completed.

The current chances of the economic sector serving as a possible source of legitimacy for the state are not high. For the majority of the population, international state-building has not resulted in their personal economic situations improving, and socio-economic prospects remain limited. At the same time, there have been cutbacks in the welfare sector which, despite its deficiencies and inequalities, had at least served as a momentary cushion against distress. The IFIs have especially criticised transfers to disabled war veterans, which in 2004 amounted to 66 per cent of total welfare spending (although single payments were small and often irregular), thereby constraining the budgets of social programmes for other needy but less politically important groups such as children and the elderly (UNDP Bosnia 2007, World Bank 2002).

As outlined above, Bosnia's economic, financial and fiscal policies have been determined by international actors, the neoliberal intervention's fiscal focus has been on adjustments and austerity, and the modus of reforms has often been technocratic and decoupled from local concerns and initiatives. This has left the state of Bosnia with little leeway for negotiation processes with local interest groups, for the consideration of society's demands or the development of alternative economic strategies, contributing to the impression of a powerless state and decreasing the legitimacy that flows from a state's good economic performance.

Regarding the legal-rational function of the state, it appears that there are structural limits to state-building. Firstly, the consolidation of a modern public administration has remained incomplete. Despite the all-encompassing international reform project, personal relationships are still very important to everyday bureaucratic practices – having influential connections remains the most important criterion in the interaction between citizens and the state. The endurance of personal relations indicates the failure of attempts to separate the public and private spheres. The reasons for this are structural rather than personal: the legal-rational forms of state-society interaction do not resonate with all state officials yet, not least because low payments encourage corruption and recruitment quotas put ethnicity over merit. The negative daily encounters that citizens have with corrupt or inefficient state officials, on the other hand, foster their impression that personal connections remain the best way of ensuring that their demands to the state are processed in their favour.<sup>28</sup>

State-society relations in Bosnia are also characterised by the lasting significance of the three ethno-national collectives. This has persisted in post-war times and has been further

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28. On corruption in Bosnia see Divjak and Pugh (2008), Transparency International (2004), Transparency International Bosnia (2004).

institutionalised by the international actors who have based the Dayton power-sharing system and many of their later reforms on the fundamental idea of three separate population groups. Through the internationally-backed constitutional court's decision on the 'three constituent peoples' of Bosnia, ethno-national quotas became the general principle of state organisation (Bieber 2004, International Crisis Group 2002). The background to this is the international actors' wish to restore a multiethnic society but it ignores the fact that even in Yugoslav times Bosnia's alleged multiculturalism came closer to a 'plural mono-culturalism' (Sen 2006) that was largely limited to a neighbourly coexistence, giving way to a modern, individualised ideal of national citizenship only in the small urban middle class and small parts of the working class (Bougarel 1996, 2003).

Given the institutionalisation of ethnic divisions through the process of state-building, it is likely that collective organisation will continue to stand in the way of an individualisation of society as the basis for legal-rational state rule. Attempts by international actors to contribute to an integration of the three ethno-national collectives through symbolic politics – through, for example, the creation of Bosnia's state symbols such as the Bosnian national flag and anthem – have not succeeded in overcoming the ethno-national differences (Kostic 2007). In a 2005 survey, only 9.8 per cent of the Bosnian Croats and 2.5 of the Bosnian Serbs said they were proud of Bosnia's national symbols, compared with 79.2 per cent of the Bosniaks (*ibid*). These findings confirm the impression that nation-building – the creation of affective bonds between state and population – cannot be initiated by external actors but must come from within.

## Conclusions: some thoughts on future foreign policy formulation

After a decade of state-building in Bosnia, it is high time we assessed the advantages and limitations of this international approach. The analysis presented here points to the important structural limits to state-building that should be taken into account in future foreign policy formulation and to the general lessons that can be learned from the case of state-building in Bosnia.

Firstly, the transfer of new institutions built up by the intervening agencies into local hands exposes the main dilemma of international state-building, regardless of the strategy applied. Many of the 'operative' strategies are very effective and exercise good control of reforms but they also impede local ownership, hindering the development of state capacity and legitimacy. Meanwhile, 'conditional' strategies are designed to facilitate local initiative and capacity and to generate legitimacy by letting local actors take the final decisions but where they involve conditionalities that are strong and inflexible, their effects on state capacity and legitimacy tend to be just like those of operative strategies. They may even help western statebuilders to evade responsibility for the outcome of their interventions (e.g. Chandler 2006). Where conditionalities are weak, by contrast, local actors can decide to ignore them, which means that legitimacy might be high but state structures will diverge from international models. In any case, the results of state-building will fall short of normative expectations – which should therefore be adjusted to the structurally limited possibilities of state-building.

This could be achieved through a paradigm shift in western peace-building policies away from the concentration on means (that is, institution-building and liberalisation according to western models) towards a focus on ends: the global provision of security and economic welfare. From this perspective, there might be several ways to reach the same effect – a possibility that has been excluded from the state-building discourse so far (see Pugh *et al* 2008). As critical studies on war-torn countries suggest, for example, non-state actors' provisions of security and economic welfare might in some cases or areas be better suited to meet the socio-economic needs of the people than internationally-dictated state strategies. In such situations, insisting on the establishment of centralised state structures according to the western model imperils existing social arrangements, leading to more uncertainty and insecurity and undermining the intervention's aim of stabilising the state (see Kühn 2009). While the historical process of state-formation in the West has led to a pacification of societal relations only after social hardships were institutionally overcome, contingent modernisation processes in other societies might well oppose the idea of a universalisation of the western state.

Secondly, economic and financial intervention strategies, and their effects on the socio-economic situation of the country concerned, are arguably a crux of state-building. On the one hand, the weakening of powerful elites by limiting the availability of financial resources creates the basis for formal state institutionalisation. On the other hand, however, the state's possibilities for building up capacity and autonomy are limited by internationally-defined budget constraints. Yet heavily subsidising the central state would not offer a way out of this dilemma because this would foster the problems of rent-based state rule, as cases like Afghanistan suggest. The tax-oriented approach taken in Bosnia is also limited: although the international intervention has been able to erect central-state tax agencies, the economic intervention has not achieved a sustained strengthening of the state's extraction and distribution capacity. The Bosnian state is trapped in a vicious circle of limited domestic revenue sources, a costly welfare system in need of reform, a disappointed population and a tight financial and political framework largely controlled by the international community.

The recent global financial crisis and recession have clearly demonstrated that war-torn societies are especially vulnerable to the ups and downs of the world economy. Although the

Bosnian finance sector was not deeply affected by the ‘casino collapse’ due to its limited integration into the global financial market, the trade and service sectors experienced the effects of recession in the form of falling demand. Remittances – for many families a financial lifeline – are also expected to fall. Rethinking the EU’s visa regime for the Southeast European countries would be a good first step in addressing the latter point – to include all countries in the region in the mid-term in order to avoid further economic disparities and political animosities in the region.

The aim of a reformed peace-building politics, not least from an ethical angle, should be to save post-conflict societies – whose vulnerability to the ups and downs of the world market is, at least partially, an effect of the very liberal economic structures dictated by the intervening agencies – from the risks inherent in the global economy. Therefore, a reformed peace-building strategy will have to focus not only on concrete intervention strategies, but also on structural constraints to the development and security of post-war societies posed by the contemporary structures and institutions of the world economy. As Pugh *et al* state:

*A paradigm shift would involve interrogation of the way in which the global system exacerbates the subaltern status of war-torn societies (already reinforced by overt violence) and advocate a commensurately greater focus on the outside of the post-conflict society, on the need for far-reaching transformation of the structures and institutions that determine what might be termed ‘the limits of potential’ for human security in war-torn societies as a whole. (2008: 395)*

That means substituting the politics of liberal state-building with a politics of welfare-state-building.

There are numerous policy measures that might promote such a welfare-state approach. How appropriate they are ultimately depends on the specific case. For example, one of the keys to break the vicious economic circle in Bosnia described above could be massive job creation through long-term employment strategies by an active state. Through an expansion of the formal labour market, unemployment and informal sector activities could be reduced, the taxpayer basis enhanced, and consumption and thereby indirect tax levels lifted. That would result in an expansion of state capacity, and the output efficiency would produce diffuse support of the political system on the side of the population in the long run.

The international agencies in Bosnia, by contrast, have merely focused on the creation of a favourable private business environment. Yet it is the country’s oligarchy that would have the means to invest, and they have become uninterested in the production and infrastructure sectors. In such a situation, more active state involvement seems necessary to spur economic development and create working opportunities. International peace-building strategies should consider non-neoliberal measures – such as interim forms of protectionism or the fostering of state enterprises and community property – as possible alternatives to the neoliberal approach. In war-torn societies, such policies promise to be more suitable than the IFIs’ neoliberal one-size-fits-all models.

Finally, policymakers should be aware that state-building is faced with, and causes, many problems without solutions. Understanding these structural dilemmas is the basis on which to consciously decide which of several sub-optimal political alternatives to choose under which premises, and what consequences to bear. Taking the lessons of state-building in Bosnia seriously does not mean disengagement from zones of crisis. It means realistically rethinking the unachievable normative aims of international state-building and substituting them with political alternatives that are less self-referential and more geared to the security and welfare of local populations. This could mean that the states being built differ from the western model; however, it might be worth deliberating on alternative local governance models that could prove to be more legitimate and effective in the eyes of their societies.



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