EVALUATING THE EU STATE-BUILDING MODEL IN THE WESTERN BALKANS

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Paula Pickering
College of William and Mary
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Principal Investigator: Paula Pickering
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Executive Summary

This investigation explores the conditions under which the EU state-building model is most likely to help produce substantive democratic political reform in the Western Balkans. Data gathered in 2008 and 2009 in Croatia, Bosnia-Herzegovina, and Macedonia suggest that the priority, clarity, and full conditionality of EU rules, together with weak domestic political opponents of reform, help maximize EU leverage over reforms in several policy areas: public administration and local governance reform in the Western Balkans. Interviews find that South East European officials frequently view the EU’s aid process as too over-bureaucratized, partial in its conditionality, and not well focused on reforms domestic leaders prioritize for state-building to help concretely build institutional capacity in public administration and local governance. Finally, Bosnia demonstrates that the EU lacks the capacity to deal with states whose key political elites still appear to place EU accession as secondary to their aim of preserving their power.
The European Union (EU) has helped accelerate Central European countries’ efforts to deepen their democracies (Pridham 2002, Schimmelfennig and Sedelmeier 2005, Vachudova 2005). No other region of the world has a vibrant regional organization willing to promote democratization through its willingness to open itself up to new, neighboring members who meet certain democratic and market conditions and to provide aid to assist democratization and marketization. Has the EU extended its success in promoting democratic state-building from Central Europe to the Western Balkans?

This paper investigates the impact of the EU’s approach to democratic state-building on political reform in three countries in the Western Balkans—Croatia, Bosnia and Herzegovina, and Macedonia—and factors that explain this impact. It does so by focusing on the logic behind and outcome of reforms of political institutions that the EU model claims to spur. In particular, it explores reforms in two inter-related areas: public administration, which is at the centre of EU state-building efforts, and local (municipal) democratic government, which is considered a key European standard and one of the main foundations of democracy (Council of Europe 1985).

European and Western actors promote state-building that Fukuyama (2004, p. ix) describes as “the creation of new institutions and the strengthening of existing ones” that are democratic. All internationally supported approaches to state-building assume that domestic actors lack the capacity and/or political will to build democratic states on their own, and that they require help from international actors (Fawn and Richmond 2009, p 209). Drawing on the experiences of Central Europe, Knaus and Cox (2005) argue that of the three existing state-building models—the authoritarian, where internationals are vested with executive authority; the traditional, development; and the EU-member state—only the latter’s voluntary process that promises the concrete political and economic prize of EU membership has been successful. Democratic requirements; rigorous and objective evaluation of aspiring members fulfillment of
these requirements during the pre-accession process; EU aid for reforming institutions; and the strong desire of East European states to join the EU club supposedly work together to transform administrations that deepen democracy in credible candidate countries (Knaus and Cox 2005, p. 45; Vachudova, 2005, ch. 5). Yet, it is not clear that the EU accession process that worked effectively in Central Europe is well suited to help Western Balkan states address the significant challenges they confront to their state building processes (Bieber 2011). These challenges include not just the transformation of formerly state-socialist institutions, but also the reconstruction after violence and the cultivation of internal consensus about the nature and configuration of new states.

A review of literature on state-building approaches produces three hypotheses on the impact of the EU state-building model on democratic reform in the Western Balkans. After a discussion of methods used to explore these hypotheses, this paper discusses findings from analysis of EU documents, external assessments, and interview testimony. It gauges the progress spurred by EU leverage over public administration and local governance reforms and then evaluates the impact of EU aid. An assessment of the nature of EU demands and domestic political dynamics in these policy areas is found to help determine the effect of EU leverage over these reforms. The impact of the EU state-building model is limited in Western Balkans by the EU’s less than clear or prioritized demands and aid that is not well formulated to build capacity, as well as middling political will to implement democratic reforms required the EU.

THEORETICAL APPROACHES TO STATEBUILDING IN THE WESTERN BALKANS

Students of the EU accession process in East Central Europe argue that the EU’s leverage have played a significant role in helping build democratic states in the region. To be eligible for EU membership, aspiring countries must meet the Copenhagen criteria, including “stable
institutions that guarantee democracy, the rule of law, human rights and respect for and protection of minorities” (European Council 1993). The Commission’s regular reviews of fulfillment of benchmark requirements and progress in applying EU legislation, as well as targeted aid, seek to encourage democratic reform. Students of EU enlargement point to the democratic turnaround in EU candidate countries of Slovakia, Bulgaria, and Romania as evidence that the EU’s leverage compelled these formerly illiberal states to tackle difficult reforms that fundamentally strengthened institutions for accountability. Recognizing that the Western Balkans faced more daunting reforms than the Central European states, the EU developed a stabilisation and association process, which aims to help the Western Balkan countries build their capacity to adopt and implement EU law, as well as European and international standards. The EU offers a mixture of: trade concessions; economic and financial assistance; assistance for reconstruction, development and stabilisation; and stabilisation and association agreements (SAAs).

Knaus and Cox (2005) argue that EU leverage encourages a voluntary process of change among EU candidate countries, which in the Western Balkans are Croatia and Macedonia since June 2004 and December 2005, respectively. They view this voluntary process as a key aspect of the EU member state-building model that addresses problems associated with the authoritarian state-building model in which international actors play a highly interventionary role in domestic governance (Duffield 2001). Scholars of the Western Balkans have criticized the authoritarian approach’s imposition of democratic state-building as hypocritical and detrimental to the cultivation of effective, authoritative, and self-sustaining domestic democratic institutions. Authoritarian frameworks promote dependency on richly endowed international actors who are unaccountable to the peoples whose laws they are making and whose elected officials they are overruling (Chandler 2000; Fukuyama 2004). Also, authoritarian frameworks encourage
domestic actors to prioritize their relationships with international officials over their relationships with other domestic representatives and citizens (Fawn and Richmond 2009, p. 229). These dynamics work to undermine domestic capacity for governance rather than help build it up.

In contrast, the EU state-building model seeks to encourage capacity building through its annual evaluations of reform progress and its technical aid. These components work together to produce what Knaus and Cox (2005, p. 45) characterize as an administrative revolution that increases the mechanisms for accountability necessary for deep democratic governance. The EU seeks to help create more democratic, professional, and effective public administrations. The authors argue that this thorough transformation of administration begins when teams of domestic and European commission officials gauge countries’ laws, policies, and institutional structures against the *acquis*. This assessment process requires candidate countries to rationalize existing institutions and construct new ones. The EU’s conditional aid is expected to work better than international organizations’ and bilateral aid agencies’ traditional capacity-building aid because it is released only after confirmation that appropriate national institutions function effectively and because it is so large that the EU has a huge incentive to see that it works (Knaus and Cox 2005, p. 46). Knaus and Cox’s EU model forms the basis of the first hypothesis.

**Hypothesis 1** expects that annual reviews of progress in complying with the Copenhagen criteria and *acquis*, as well as carefully distributed technical aid, will stimulate deep administrative transformations that enhance accountability in the Western Balkan states.

Vachudova (2005) argues similarly that the EU’s active leverage, which involves the pre-accession process and the democratic requirements for EU membership, helps spur aspiring EU members to undergo democratic reforms they otherwise would not do. Like Knaus and Cox, she argues the EU’s objective annual reviews compel reforms to professionalize and make public administrations more accountable, which strengthen the key institutions for horizontal
accountability, including the civil service (Vachudova 2005, pp. 110, 187). Second, the EU’s serious threat of withholding aid makes it too costly for aspiring members to backtrack on reforms. Finally, the deep administrative reforms and civil society aid work together to strengthen pro-reform political and civic groups that bolster vertical accountability (Vachudova 2005, pp. 187-8). Together, these form the basis of the first component of hypothesis two.

**Hypothesis 2a** anticipates the reform process in Western Balkan countries with liberal rulers to follow certain dynamics: EU annual reports compel democratic reforms in public administrations, threats of sanctions convince domestic reformers to stay on the reform path, and administrative reforms and aid bolster liberal political and civic groups.

Vachudova (2005, p. 182) acknowledges that the EU’s active leverage only works “in synergy with efforts of domestic political elites.” This view is echoed by Haughton (2007, p 240). If domestic political elites lack the political will to implement reforms required for EU accession then there is little the EU can do. Instead, the EU’s active leverage on illiberal governments in Slovakia, Romania, and Bulgaria in the mid-1990s helped create a more competitive political system by working through society to change the information environment and the institutional environment to the advantage of more liberal forces (p. 107). This logic underlies the second part of hypothesis two.

**Hypothesis 2b** expects the EU to help create a more competitive political system in Western Balkan countries with illiberal rulers by working through society to empower more liberal forces.

In comparison, some scholarly work investigating the impact of EU accession on reform outcomes in particular policy areas in East European countries views EU leverage as more contingent. Examining reform in consumer protection, health care, and regional policy sectors in Hungary and the Czech Republic, Jacoby (2004) contends that the EU’s ability to compel East
European political elites to transform their domestic institutions depends on both the nature of EU demands and domestic politics in Eastern Europe. The EU is most successful in convincing East European countries to transform domestic institutions to emulate Western institutions when the EU makes specific and formal demands about reform in a particular policy sector in East European countries (Jacoby 2004, p. 62; Schimmelfennig and Sedelmeier 2005, p 12; Haughton 2007, p. 242). The EU’s credibility, and thus leverage, is greatest over reforms in policy areas when the policy condition is a priority capable of slowing or stopping EU accession (Dimitrova 2005, 73). At the same time, EU leverage over reform of political institutions in Eastern Europe is greatest when traditional domestic structures are not well entrenched; domestic political and social opposition to institutional transformation is weak (Jacoby 2004, p. 62) and the negative impact on the government’s levers of power preservation is small (Schimmelfennig, Engert, and Knobel 2005, p. 25). In other words, EU leverage over reform in a particular policy area needs domestic partners with whom to work together on reforms. This body of research forms the basis of hypothesis three.

**Hypothesis 3** anticipates EU influence over reform of policy areas such as public administration and local governance to be greatest when the EU’s rules are clear, formal, and prioritized, while domestic political opponents to reform are weak.

**INTERNATIONALLY BACKED REFORMS AND DOMESTIC ENVIRONMENTS FORM REFORM IN THE WESTERN BALKANS**

Investigating these hypotheses requires understanding the nature of EU requirements for public administration and local governance and aid for those policy sectors. It also calls for understanding the domestic political dynamics affecting administrative and local governance reforms. EU-supported projects cover the reform and modernization of central, regional and
local administrations as well as reinforcement of their capacities by transfer of know-how and investments. European institutions have provided aid that seeks to make local governments comply with European norms embodied in the European Charter of Local Self Government and capable of meeting EU accession requirements (Commission 2009a, Commission 2009b, Commission 2009c). Their programs have supported fiscal decentralization; training for administrative professionalization, legislative aid; local infrastructure projects; municipal government-civil society relations, municipal governments’ interest groups, and minority rights. Of the traditional capacity builders, USAID has focused on one-stop business and citizen service centers (DAI 2007a, DAI 2007 b, Rojas 2006), while UNDP has emphasized inclusive and participatory local economic development and the development of municipal government training systems (UNDP 2009, UNDP 2010). Of the international officials exercising authoritarian roles, Bosnia’s UN-appointed High Representative, who is now also the EU Special Representative, has imposed aspects of public administration reforms, municipal boundary changes, dismissed some mayors opposed to the Dayton Peace Agreement, and intervened in some municipalities’ statutes (OHR 2004).

EU and international efforts to reform Western Balkan political institutions interact with a complicated domestic political atmosphere for liberal reforms. Today’s Western Balkan political environment is shaped by the legacy of Socialist Yugoslavia, where the Communist party controlled all levels of bureaucracy. As with other post-socialist East European states, the immediate post-socialist Western Balkan governments took advantage of the communist legacy of a politicized public administration; they had on their own initiated little meaningful reform of public administration, maintaining its politicization (Woodward 1995; Dimitrova 2005, pp. 82). This leaves a burden on the EU to exert significant pressure on reluctant political elites to bring about democratic reform in this policy area. The legacy of Socialist Yugoslavia on local
governance is more positive, as the Communists practiced local self-governance. Municipal governments had real, but modest powers and but constrained by one-party rule that lacked full democratic accountability (Seroka 1979). Nationalizing elites in the immediate post-socialist period weakened local governance and pursued centralization in an effort to strengthen their new states that faced external and internal threats. Violence during the 1990s in Croatia and Bosnia and in 2001 in Macedonia further debilitated local governance capacity. Unlike in other Central European states, the three Western Balkan countries adopted Western-supported laws in the wake of violence that obligates them to equitable representation of minorities in public administration. Local governance reforms have run into resistance from elements of central government elites in all Western Balkan countries, as well as regional elites (counties in Croatia and the entity and cantons in Bosnia) who view devolution as a threat to their power.ii

METHODS AND DATA

Looking more closely at democratic state building in the toughest countries with a prospect of joining the EU—the Western Balkans—is critical for understanding the impact that the EU accession process has on democratization. The three Western Balkan countries discussed here are credible candidates.iii Yet their countries’ political elites’ varying levels of political will to pursue democratization demanded by the EU in the 2000s help better examine the external influence of the EU reform than studies of Central European reform, where domestic elites’ political will for democratization in the 2000s was more consistently high. Investigating the relationship between the EU integration process and Western Balkan reforms helps address the problem of causality that Vachudova (2010) mentions: is it the EU integration process that
assists East European democratization, or is it self-generated East European countries’ implementation of democratic reforms that makes them suitable for EU integration?

Comparing the state-building processes of three countries in the Western Balkans helps identify the factors explaining the EU’s impact since it allows for variation, preventing against the possible pitfall of choosing one case that turns out to be idiosyncratic. The Western Balkan region helps identify the external factors that best assist democratization since not just the EU, but also international actors implementing the authoritarian and traditional development approaches pursue state-building there.\textsuperscript{iv}

Understanding how the complex domestic political dynamics shape EU state-building requires gathering different types of data from diverse domestic and international sources. This research investigates claims by students of EU state-building by examining data from reports by implementers and donors, including annual progress reports produced by the Commission of the European Communities, as well as by external evaluations of public administration and local governance reforms. It also uses fieldwork to uncover how international officials based in the region and domestic actors influence reforms and to probe how much reforms made on paper are implemented in practice. Mark Baskin and I conducted over 70 in-depth interviews in the field with international donors, local officials, and local activists involved in local governance reforms in 2008 and 2009.\textsuperscript{v} Domestic academics advised our investigation.

\textbf{FINDINGS}

While evidence suggests that the EU accession process has played a positive role in encouraging democratic reforms, it also suggests that the current EU state building model alone has not yet been able to spur the thorough democratic reforms in public administration and local
governance that hypothesis one anticipates. Instead, reforms have been slow and largely on paper, particularly in public administration. Intensive interviews with donors and domestic officials suggest several reasons why. First, the details of the formulation and particularly the implementation of EU aid for public administration and local governance reform hinder the ability of that aid to enhance domestic ownership, significantly strengthen mechanisms for accountability, and improve the quality of local governance. Second, domestic political actors reluctant to reform have undermined the EU’s ability to spur reforms in these areas. The EU state-building approach in practice falls short on effectively helping potential candidates still mired in arguments over whether to sacrifice political control for democratic accountability. These findings contradict hypothesis two but support hypothesis three.

**Administrative Reforms as Slogging vs. Revolutionary**

Advocates of the EU state-building model, as articulated in hypotheses one and two, contend that the EU accession process’ annual progress reports and aid encourage thorough and deep changes toward democratic, professional, and efficient administrations. EU and external evaluations indicate the stern progress reports on and aid for public administration and local governance have contributed to reforms. But they also indicate that these reforms have been evolutionary rather revolutionary in Croatia, Macedonia, and Bosnia. Assessments also suggest the EU has been better at spurring the adoption of laws than at their implementation in practice.

Examination of progress reports’ evaluations of public administration reform in the Commission’s progress reports on the three countries over the past seven years conveys slow improvements that do not add up to revolutionary change that hypotheses one and two expect in the liberal, candidate countries of Croatia and Macedonia. The 2005 progress report on Croatia concluded that “public administration reform does not appear to have been a matter of urgent priority for the current government” and noted the limited progress made (Commission 2005b, p.
This criticism contributed to adoption of the Civil Service Law the following year. But in its 2009 Progress Report for Croatia, the Commission called attention to the lack of full implementation of new laws and blamed the lack of political will (p. 8). Even the 2011 progress report characterized as incomplete the legal framework for developing a merit-based professional civil service, and described as insufficient the administrative capacity to implement public administration reform (Commission 2011b, p. 6). Progress reports on public administration reform in Macedonia over the same seven year period also suggest incremental progress. The Commission’s 2005 report urged the full implementation of the Law on Civil Service, which in practice failed to prevent political interference with recruitment and selection of candidates (Analytical Report 2005, 17). The 2009 report credited Macedonia for significantly improving the legal framework by strengthening the role of the Civil Servants Agency and merit-based recruitment (p. 10). Yet it called for further efforts to ensure transparency, professionalism, and the independence of public administration (p. 13). The EC’s 2011 progress report (2011c, p. 11) struck a similar tone of praising developments on paper—legislation passed—while scolding the Macedonian government for making merely limited progress in implementing reforms “in practice.”

Demonstrating the role of the authoritarian state-building model in Bosnia, Bosnia’s Public Administration Reform (PAR) program was drafted by the Office of the High Representative without major involvement of domestic governments, though it was adopted in 2003 by the Bosnian council of ministers (Miovčić 2006). Since then, EU requirements and technical aid have supported PAR strategy, whose implementation rate achieved 28 percent by the end of 2008 (PARCO 2010, Commission 2008a). The Commission lamented in 2005 that the Bosnian State Civil Service Agency had been unable to recruit personnel needed for state-building plans, a situation that had improved by 2009 (Commission 2005a, p. 14; 2009a). Yet,
the 2009 report emphasized the need for sustained efforts to prevent political interference and to limit the role played by ethnic and political affiliation in the public administration (Commission 2009a, p. 11). But perhaps the harshest judgment was issued in the 2011 progress report. It concluded that limited progress was achieved in public administration reforms and that “no progress” had been made towards developing a professional and de-politicized civil service (Commission 2011a, p. 11). Prominent opposition leaders in Bosnia challenged the idea that critical progress reports would spur domestic politicians into making more genuine commitments to EU-required reforms. The leader of the opposition Party for Democratic Prosperity charged that “the authorities were not at all worried about the [progress] report…. Those in BiH, and especially in Republika Srpska, prefer isolation because they can more easily manipulate the citizens” (Kovacevic 2011 p. 1). The minor nature of public administrative reforms accomplishments in Bosnia are consistent with hypothesis two b, which expects the EU criticism to have little direct impact on illiberal rulers, but not with hypothesis one, which has higher expectations for the impact of critical progress reports. However, the very modest progress even among the liberal candidate countries of Croatia and Macedonia challenges the power of the EU’s annual reports to spur major reform efforts.

**Local Governance Reforms Inching Along**

In turning to local governance reforms, improvements also appear incremental in all three countries. A 2007 report on Croatia’s compliance with the European Charter of Local Self-Government noted improvement in political decentralization since 2001 but called for further legislation to confer autonomous competences at the local level and to provide appropriate financial resources, as well as the implementation of existing laws (Congress 2007, para. 67). In 2009, the Commission (2009b, p. 8) criticized Croatia for lacking the political will to adopt and pursue a decentralization strategy, for not sufficiently improving the professional skills of local-
level authorities, and for allowing discrimination against Serbs in the public sector at the local level (Commission 2009b, p. 8 and 15). Despite pointing out in its 2010 report (Commission 2010b, p. 7) that Croatia had still not developed a decentralization strategy, the 2011 made no mention of decentralization or local governance. Macedonia adopted a package of laws and an Operational Programme for decentralization in 2001 in response to components of the EU and US-brokered Ohrid Peace Agreement (European Agency for Reconstruction 2005, p. 11). The 2008 and 2009 progress reports evaluated local government administrators as lacking the accountability mechanisms and financial resources necessary to allow them to perform their assigned tasks properly (Commission 2008c and 2009c, p. 10). The 2009 report blamed low political will for hindering progress. By 2011, the Commission praised improved capacities of local governments by noting progress in fiscal decentralization and the increase in the VAT transferred to municipalities. Yet it called for a stronger impetus toward decentralization (Commission 2011c pp. 8-9).

In Bosnia, it was concerted effort by USAID and the High Representative, rather than the EU, that cajoled Bosnians into drafting, adopting, and implementing reform legislation for local governance in the Federation (Pickering 2010). The Commission’s 2008 report mentioned that Bosnia’s legislation was largely in line with the European Charter of Local Self-Government, but that the impact of decentralization had been limited, partly due to the lack of resources in the municipalities and to the Cantons’ limited cooperation with municipalities (2008, p. 10). In 2011, improvement in coordination among different levels of Bosnia’s government was partly counteracted by the creation of an ethnically exclusive “Croatian National Assembly” comprising of municipalities and Cantons with a Croat majority (2011a, p. 9). These reports characterize the progress that these three Western Balkan states have made in reforming in practice, rather simply in form, local governments as slow and largely incremental, rather than
“revolutionary,” as hypothesis one predicts. While the moderate progress of Macedonia and the slower progress of Bosnia's local governance reforms are consistent with hypotheses two a and two b, Croatia's incremental progress challenges hypothesis two a.

**The Promise vs. the Reality of EU Aid**

The EU provides targeted financial aid for candidates and potential candidates in order to support their efforts to enhance political, economic and institutional reforms (Delegation 2010). Hypothesis one expects this EU aid to help build domestic capacity in a more effective way than authoritarian or traditional capacity building approaches. Multiple EU instruments for delivering and implementing aid, such as the Community Assistance for Reconstruction and Development and Stabilisation (CARDS), were consolidated around 2007 into one instrument: the Instrument for Pre-Accession Assistance (IPA). An audit of the Commission of the EC’s management of CARDS found that it was less effective in improving Western Balkan states’ administrative capacities than in contributing to stabilization and reconstruction (Court of Auditors 2007, p. 15). Taking this into account, the IPA for each candidate and pre-candidate is intended to address directly the priority reform areas that the EU has identified for each country in its partnership agreements and progress reports (European Commission 2009).

Nonetheless, EU aid is oriented toward helping credible candidates achieve capacity and standards necessary to meet EU-defined conditions, rather toward domestic-defined needs (Jacoby 2004). This shapes its impact on democratic state-building. An evaluation of IPA plans for Croatia between 2007 and 2009 found that the aid pledged did not even address some of the most pressing needs in public administration identified in EU progress reports in Croatia (Lynch and Samardzija 2008, p. 2). Risteska’s investigation found that intensive pressure to quickly conform to EU legislation has not helped the Macedonian civil service improve its policy making capacity. Instead of conducting in-depth situation analysis, detailed impact assessments, and

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consultations with stakeholders in developing public policy, Macedonian civil servants are merely taking “ready-made” policies (Risteska 2011, p. 13). Reports suggest aid from the EU on local governance and public administration reform at times appears ill fitted in particular for pre-candidates’ needs and capacities. While the IPA’s first component, “Transition Assistance and Institution Building,” is intended to help build administrative capacity, none of the aid promised in this component for 2007 and 2008 had been implemented through the end of 2008 in Croatia and Bosnia; only one quarter of it had been implemented though the end of 2008 in Macedonia (European Commission 2009b). The EU claimed this lack of implementation of aid was due the failures of these Western Balkan countries to adopt appropriate management structures and laws. In other words, EU aid intended to build institutional capacity was not implemented largely because the Western Balkan states lacked the capacity required by the EU. The EU aid strategy probably helps ensure that EU aid is not squandered by dysfunctional domestic institutions and it did eventually compel Croatia to make the reforms necessary to gain approval in late 2009 for decentralized management of most IPA funds (Commission 2009b). But the EU’s acquiescence to Bosnian Serb rejection in 2011 of allocation of IPA funds toward projects designed to strength the functionality of central government institutions calls into question the seriousness of the conditionality of the EU’s aid (WQ Sarajevo 2011). When political disputes and/or resource deficiencies hinder meeting EU hurdles for aid, EU assistance strategies do little in practice to help institutional capacity building envisioned by hypothesis one.

While hypothesis one contends that EU aid helps increase domestic ownership of reforms, both Western Balkans’ political will and capacity, as well as EU approaches, hinder domestic ownership of reform. Given CARD’s inability to encourage ownership (Court of Auditors 2007, p. 16), the IPA encourages ownership in two ways. First, it requires” participation by a wide variety of local stakeholders in national development plans and project
proposals. Second, it seeks formation of a decentralized implementation system of management in which the Western Balkan countries will be the principal for the aid’s completion contracting. But the Western Balkan states’ difficulty in meeting EU requirements for decentralized management of aid delayed implementation of the IPA, which has weakened domestic ownership. It is also not clear whether implementation of IPA in practice will be able to improve upon the inadequate engagement of domestic stakeholders in development plans of the newest EU members—Romania and Bulgaria—when they were candidates and the high rejection rate of project proposals (Gjorgjieski 2008, p. 7). Consultation, rather than partnership, with domestic officials best describes the current approach to developing and implementing aid projects in Macedonia (Atanasova and Bache 2010, p. 9).

In my interviews, Western Balkan officials identified EU assistance practices they viewed as failing to cultivate ownership. Multiple municipal officials in Bosnia criticized the EU for spending significant money flying in West-European-based “experts” for a brief period of time to convey information about reform requirements and best practices before quickly returning to their West European homes (NI Sarajevo 2008). Such sessions that failed to take into account the Western Balkan context were not concretely helpful for domestic reformers. This conforms to Fukuyama’s warning that outsiders involved in public administrative reforms tend to overlook the “local character of the knowledge required to design a wide variety of good administrative practices” (2004, p. 85-87). In contrast, multiple officials in Bosnia and Macedonia noted that international donors and implementers that employed Bosnians who were able to work closely with domestic officials in multiple stages of reform programs helped aid reforms. They applauded USAID and the DIFD programs for local governance for hiring domestic staff to work closely with municipal officials to answer questions about reforms, for their concrete aid in building human and technical capacity, for their clearly defined reform tasks
and goals, and for working with Western Balkan officials to find joint solutions for local problems (AK, Central Bosnia, 2009; KB, Central Bosnia 2009; HW, Skopje, 2008).vii

A story told by a frustrated domestic official about an EU-funded project for fiscal decentralization in Macedonia illustrates many of the problems that hinder the EU’s assistance to improve local governance. The EU-funded project failed to meet sought-after complementarity (Barrio 2008) of projects implemented by two other international donors. Despite significant overlap with other donors’ projects, the EU insisted on conducting its own assessment of the issue, which was led by international staffers who stayed in country only briefly at expensive hotels (EQ, Skopje, 2008). This was viewed as diverting much needed aid away from pressing needs identified by domestic reformers.

The testimony of Western Balkan reformers supports Gjorgjievska’s (2008, p. 17) contention that the public perception in most candidate countries is that the operation of pre-accession funds is plagued by its overly-bureaucratic nature and the extremely demanding, expensive, and time-consuming process of project preparation.viii A domestic official in Bosnia faulted the EU for failing to work with domestic institutions to develop a comprehensive program for reforming local self-governments in order to both clearly convey to municipal officials what the EU expects from them, what aid is possible, and how to apply for aid (TI Sarajevo 2009). Bosnian officials complained that most municipal authorities lacked the staff expertise necessary for developing and implementing IPA projects (KB Central Bosnia 2009; TI Sarajevo 2009). A Bosnian working for an IO related how the mayor of a relatively well-off municipality begged the head of the organization to help him and his staff interpret the IPA call for proposals and borrow staff necessary to put together a proposal (BP Sarajevo 2009). An international official with over a decade of experience in Bosnia (WQ Sarajevo 2011) suggested
that a portion of these judgments may be mere complaining or even worse, such as a desire to avoid scrutiny of aid dispersion. Yet, Daskalovski (2009, p. 355) assessed that few Macedonian NGOs possessed the significant technical skills and resources necessary to apply successfully for EU assistance for civil society. Another Macedonian analyst singled out the maze of bureaucracy associated with EU aid as a problem for domestic reformers (EU Skopje 2008). Interviewees contend that the EU often assumes capacity rather than helps cultivate it. Contradictory to hypothesis one, audits, evaluations of EU aid, and interviewees strongly suggest that the jury is still out on whether the EU is better than traditional capacity-builders in delivering aid that facilitates domestic ownership and capacity building.

Uneven Impact on Empowering Liberal Political and Civic Actors

EU aid is theorized in hypothesis 2a to play an important role in instigating democratic reform in credible candidates with liberal rulers—Croatia and Macedonia. EU annual reports are expected to compel public administration reform; threats of withholding aid to compel democratic reformers to stay on the reform path; and administrative reforms and aid to bolster liberal democratic political and civic groups. Data discussed above calls into question the first part of these expectations -- the extent of public administration reform that EU leverage has induced. Political convergence around pro-EU policies, however, has occurred in the Western Balkan states with liberal governments, as hypothesis two a expected. Research suggests that the EU accession process and aid, as well as election losses for illiberal parties, helped political parties in Croatia and Macedonia converge over the merit of pursuing integration into the EU. Konitzer (2011) effectively argues that the popular attraction of EU membership in Croatia resulted in changes in public attitudes which, over a series of elections, created incentives for elites in EU-skeptic parties to push for pro-EU changes in their party platforms. All significant parties in the late 2003 parliamentary elections advocated for Croatia’s integration into the EU.
The 2006 parliamentary election campaign in Macedonia demonstrated pro-EU convergence among all significant parties (OSCE 2006, p. 13.) Such convergence is a notable accomplishment, particularly in divided societies.

Yet, the expected encouragement of a more competitive political system though empowering liberal social and political forces in aspiring EU members with illiberal rulers has not occurred in Bosnia. Virtually all major parties, particularly the mono-ethnic ruling parties, have given only lip service to the priority of EU accession. In practice, they have taken few genuine steps to legislate and implement reforms demanded by the EU (Commission 2009a; McMahon and Western 2009). This is despite repeated EU appeals to the Bosnian public and political elites for reform, as well as a joint US-EU effort to press domestic actors into making constitutional reforms deemed necessary for progress in EU accession. Political elites in Bosnia appear to prioritize preserving or advancing their own relative power over EU integration (Joseph and Hitchner 2008, p. 6). Vachudova acknowledges the lack of political convergence in Bosnia (2010, p. 98).

Other scholarly analyses indicate this failure is encouraged by the EU-backed constitutional structure that U.S. negotiators compelled Bosnia to accept at the 1995 Dayton Peace Accords. Bieber (2011) cogently argues that the EU has not been effective at state-building in Bosnia partly because of its disjointed, haphazard approach to state-building. The EU’s short-term imperative of ending the violence contributed to the formation of the Dayton constitution that rigidly institutionalized ethnicity and created a weak national political level that later impeded construction of a viable, functioning state (see also Roeder 2005). Bosnia’s strong federalism and cantonization encourages the idea that government should be based on “homeland nations,” a position antagonistic to deeper integration into the EU’s large European community (Csergo and Goldgeier 2004). Bieber (2011) points out that Bosnian elites skeptical of the state
and happy with running local fiefdoms encouraged by rigid power-sharing structures have little incentive to comply with EU conditions specifically designed to support the construction of a Bosnian state. The political institutionalization of ethnicity rewards campaigns based on ethnic exclusivity, which blocks the ability of pro-EU public opinion from pressuring dominant parties from genuinely making reforms demanded by the EU. While neither Croatia nor Macedonia has backtracked on reforms required by the EU, Bosnia has, with Bosnian Serb politicians voting to rescind power that they had earlier granted to the national government, a reform encouraged by the EU (Commission 2009a, p. 8). The failure of political convergence in Bosnia emphasizes the imperative of domestic political will and functional domestic political institutions to work with EU leverage to bring about democratic reforms for state-building. The EU accession process and aid appears ill suited to encourage Bosnia’s politicians to address fundamental state-building challenges needed to later allow for integration into the EU.

There is no clear evidence that EU state-building mechanisms have helped significantly bolster civil society in any of the three Western Balkan countries. According to Freedom House figures, the strength of civil society in none of the Western Balkan states has improved significantly since the initiation of EU accession process (Freedom House 2011, Table 3). Of course, strengthening civil society is a long-term process. The expectations of hypotheses 2a and 2b that the EU accession process and aid will strengthen the virtuous components of civil society appear to underestimate the reality of the post-war contexts in the Western Balkans. In all countries, conservative, monoethnic elements such as war veterans groups are strong. While led often by committed activists, liberal groups tend to be small; financially and politically weak; and donor-dependent (Daskalovski 2009, Dorić 2009, p. 175; Jelisić 2009). Part of this is because local governments in Bosnia often lack a transparent, merit-based selection process for awarding grants for civil society organizations (Zeravcic 2008). In attempt to address this
problem, the EU is now funding a project in Bosnia to require participating local governments to adopt and implement a transparent and objective selection process for awarding grants to civil society organizations (EU reinforcement 2009). But even these organizations are service-oriented, which helps meet citizens’ demands but does little to increase accountability. In Bosnia, citizens still have doubts about the ability of civil society organizations to represent their interests and improve policy. Fagen (2011) found that Bosnian citizens provided input on construction projects’ compliance with EU environmental impact rules more often though local neighborhood (mjesna zajednica) meetings rather than through NGOs. Changing what UNDP (2009, p. 14) has called a “negative image of civil society organizations” in Bosnia and increasing civic participation rates in all three countries will take concerted effort by donors and Western Balkan citizens, activists, and officials to improve mechanisms for responsiveness and independence. These small changes in liberal social groups are not consistent with hypotheses 2a and 2b.

The Nature of EU Demands

Hypothesis three urges a closer look at the character of EU demands on public administration and local governance reform and domestic political dynamics around these issue areas. This approach helps explain the modest impact of EU leverage on reforms in the Western Balkans. EU demands on these issue areas have often been less than clear and of medium priority, in practice. The EU requires credible candidates to strengthen administrative capacity, but it has no common rules regarding the capacity of administrations. The most specific aspect of public administration conditionality is the requirement to adopt and implement legislation providing for an independent, professional civil service protected against heavy political interference (Dimitrova 2005, p. 81). With regard to local democratic governance, the EU chiefly judges Western Balkan states’ compliance with the European Charter of Local Self-
Government. Hypothesis three expects lack of clarity of EU demands on reforms in specific policy areas to limit the EU’s ability to spur significant reforms in those areas. Evidence on public administration and local governance reforms supports hypothesis three.

In terms of the EU’s formal priorities, the Council lists as a short term priority public administration reform in all three Western Balkan countries. The Council called on Croatia to rapidly adopt and implement a strategic framework for public administration reform, as well as fully implement public administration reform measures on administrative procedures and on recruitment, promotion, and training and de-politicisation (Council Decision 2008b, 3.1). The Council asked Bosnia to “implement the 2006 strategy for public administration reform and ensure that State-level ministries and institutions are adequately financed, operational and properly equipped” (Council Decision 2008a). For Macedonia, the Council requested assurance that recruitment and career advancement of civil servants is not subject to political interference, the further development of a merit-based career system, and full implementation of the law on civil servants (Council Decision 2008c, p. 34). The formal priority of public administration reforms, however, appears weakened in practice by partial conditionality, discussed below.

Only in Macedonia does the EU specify implementation of decentralization contained in the Ohrid agreement as a condition for progress in accession. The detail of the EU’s demands on local governance in Macedonia is striking in contrast with the little attention it pays to local governance in Bosnia and its near silence on local governance in Croatia. The EC lists as a short-term priority in Macedonia “strengthening the transparency and accountability of the local administrations, particularly internal controls and audits, establishing a satisfactory standard of municipal tax collection, developing the capacity of municipalities to manage State-owned land, and ensuring that the number and competence of staff of municipalities are sufficient” (Council
A domestic analyst in Macedonia argued that the EU approach to local governance reform there has been productive because it “has been there every step of implementing Ohrid,” which requires decentralization reforms (AJ Skopje 2008). In contrast, the EU has left support for improving local governance capacity in Bosnia largely to bilateral assistance (National Programme 2007, p. 18). A Bosnian staffer for an IO criticized the EU for not paying sufficient attention to local governance (BP Sarajevo 2009). The EU has found the Ohrid-mandated state-building framework, including its decentralization, to be sufficient for strengthening in order to meet EU standards. But it has found the Dayton-mandated state-building framework, particularly its rigid ethnic quotas and strong intermediate levels, to present major hurdles to moving Bosnia toward meeting EU standards (Registrar 2009, Commission 2009a, Bieber 2011).

That administrative conditionality is a “partial conditionality,” or a conditionality that is important but whose potential to stop a country from acceding is left deliberately unclear, means that a candidate country may view itself as to able to skirt full compliance in that particular policy area without retribution (Dimitrova 2005, p. 79). Central European countries adopted EU-demanded civil service rules while candidates but did not clearly implement them in practice; some even backtracked once they joined EU (Dimitrova 2005). An external assessment of public administration reform in Croatia concluded that many domestic officials believed that the harmonisation of legal instruments was all that was required to comply with Accession requirements and paid too little attention to needed changes in institutions and attitudes in the public service (SIGMA 2004). Even though the 2011 progress report pointed out shortcomings in the development of a “modern, reliable, transparent and citizen-oriented public service” (Commission 2011b, p. 5), the Commission simultaneously issued a favorable opinion on Croatia’s accession to the EU (Commission
Domestic officials in the Western Balkans were well aware of the persistence of corruption of the public administration in Romania and Bulgaria despite their achievement of membership in 2007, a signal that they could get away with shortcutting the implementation of public administration reforms. As expected by hypothesis three, compromising on conditionality weakens the impact of the EU state-building model.

**Formidable Domestic Political Opponents and Obstacles**

The nature of EU demands interacts with domestic political dynamics to slow down administrative reforms. As expected in a policy area that is a central mechanism for preserving political power, traditional opposition to reforms in public administration has been significant in all three Western Balkan states. Oppositionists to public administration reform include some top politicians, who view control over bureaucracy as a key mechanism for rewarding political supporters and thus preserving their power. Indeed, the European Agency for Reconstruction (2008, pp.1, 4) chided Macedonia for “excessive politicization of public administration,” noting that political parties regarded public administration more as a “political body than as an independent professional service for the political leadership.” One analyst in Macedonia interpreted the violence in the 2008 elections in Macedonia as erupting over the struggle over the expected huge benefits of controlling public administration (CC Skopje 2008). In Bosnia, the Republika Srpska’s Prime Minister constitutes a powerful veto player opposing public administration reform, since it would require a transfer of competence from the entity to the state level (Commission 2005a, p. 14). While the Bosniak member of the Presidency favors strengthening the administrative capacity of the state, he has shown little support in practice for depoliticisation. Each of these influential domestic politicians offers an alternative state-building model that challenges the EU model. Domestic resistance has hindered full implementation of civil service reforms (Barrio 2008, p. 14).
The policy area of local governance does not threaten central mechanisms for preserving political power. Yet, the EU’s lack of specific demands in Croatia and Bosnia has left space for domestic actors in those states to obstruct reform, even in the face of domestic advocates of reform that EU and bi-lateral aid has empowered. Those domestic advocates of local governance reform strengthened by EU and bi-lateral donors include progressive actors within the Associations of Local Self-Governments, many directly elected mayors, civic activists, and policy analysts. The domestic proponents of local governance reform appear weaker in comparison to opponents and institutional obstacles to reform in Bosnia and Croatia. The balance between domestic advocates for and opponents of reform appears more even in Macedonia (Atanasova and Bache 2010, p. 94). The persistence of older attitudes of central control in Croatia, Bosnia, and Macedonia slowed local governance reform (Council of Europe 2007, p. 10; Expert Team 2006, p. 13; BU Skopje 2008).

Interviewees elaborated on significant opponents and obstacles. Mid-level officials in key Croatian ministries have slowed progress in decentralization because they fear losing power (BQ Zagreb 2008). Many in Bosnia and Macedonia noted the central governments’ and parties’ prioritization of their political programmes above all else as significant obstacles to reform (EC Central Bosnia 2009, BP Sarajevo 2009, NT Sarajevo 2009, TI Sarajevo 2009, EQ Skopje 2008). In Bosnia, politicians at intermediate levels have used their control over resources to undermine local governments’ ability to fulfil their competencies (IB Central Bosnia 2009, KB Central Bosnia 2009; AC Central Bosnia 2009). The bleak 2011 progress report on Bosnia concluded that the public administration reform process lack needed political support (Commission 2011, 10). Finally, stakeholders in local governance reform in Bosnia and Macedonia identified lack of modern, administrative capacity as a brake on reform, a brake they considered bi-lateral donors as gradually helping address (SM Central Bosnia 2009; EB Central...
Domestic opponents of, and obstacles to, public administration and local governance reform have weakened the bottom-up reform initiatives that Jacoby (2005), Mungiu-Pippidi (2010), and Vachudova (2005) argue are critical partners for EU state-builders to work with in order to spur meaningful reform. This is consistent with hypothesis two b, it is not consistent with hypothesis 2a or with hypothesis one. Instead, the pattern of incremental progress in public administration and local governance reforms, as well as reactions to EU demands, annual reports, and aid are anticipated by hypothesis three (Table 1).

CONCLUSION

Investigating claims of the power of the EU state-building model against evidence of implemented suggests the EU has helped spur the Western Balkan states to adopt incremental, rather than revolutionary, reforms, to their public administrations and local governments. These cases suggest the EU is best able to assist Western Balkan countries in their significant state-building efforts when demands on reforms in key policy areas is clear, prioritized, and fully conditional, as well as works in synergy with strong, liberal domestic actors.

While evidence suggests that such reforms, particularly in public administration, would not have occurred in the 2000s in Croatia, Macedonia, and Bosnia without EU leverage, it also indicates that the EU’s state-building model alone has several weaknesses for these states. Its assistance is geared toward preparing the countries to meet the requirements of EU membership, rather than addressing what domestic actors identify as the most pressing state-building needs, a particular problem given the formidable tasks of rebuilding institutions after violence. A focus on the adoption of laws can allow domestic actors reluctant to reform to hinder implementing them in practice. Evidence strongly suggests that changes in institutions depicted on paper as revolutionary rarely function so in reality, which is inconsistent with hypotheses one and two a.
In addition, interviewees viewed EU aid as cumbersome, top-down, and more geared to assuming, rather than building, administrative capacity. Bosnia illustrates that the EU state-building model is ill-equipped to constructively engage countries with a lack of political and ethno-national consensus on state-building. This seems logical, though it fails to live up to the expectations of hypothesis one or hypothesis two, which predict the EU to empower liberal political parties and civil society groups.

Hypothesis three’s emphasis on the important role played by domestic political forces in interaction with the nature of EU demands in key reform areas helps make sense of the modest but significant impact of EU conditionality on reforms in the Western Balkans. In the case of public administration reform, despite the EU’s prioritization, its moderate specificity of demands, partial conditionality, and threat to undermine powerful domestic actors’ key mechanisms for preserving power help explain the incremental reforms the EU has spurred. In the case of local governance reform, the EU’s prioritization of it only in Macedonia, its only moderate specificity of demands, and its partial conditionality left space for moderately powerful opponents and capacity shortfalls to slow reforms, particularly in Croatia and Bosnia. Evidence from the Western Balkans leads to a more nuanced understanding of the power and limits of the EU state-building model in a region that experienced violent struggles over states in the post-socialist period. Further field-based research is necessary to flesh out the conditions under which international state-builders, particularly from the EU and traditional capacity-building organizations, can work in complementary ways to empower liberal domestic forces and improve the practice of democratic governance in divided societies interested in returning to Europe.
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We interviewed domestic officials at national and local levels involved in local governance reforms, including ministry officials, aid organizations involved in local governance, and were suggested by gatekeepers with diverging views of local governance reforms. In order to make sure that interviewees were knowledgeable about local governance reforms, worked with a wide variety of actors involved in local governance reform nor amount to a representative sample of actors involved in local governance. However, care was taken to make sure that interviewees were knowledgeable about local governance reforms, worked with a wide variety of organizations involved in local governance, and were suggested by gatekeepers with diverging views of local governance reforms. In order to protect their anonymity, I use a code to refer to interviewees and refrain from identifying their particular organization or institution of employment.

Theoretical framework based on Jacoby (2004)

* Policy area anticipated by combination of nature of domestic opposition to EU reforms and of EU demands to make the most progress in reforms
** Policy area anticipated by combination of nature of domestic opposition to EU reforms and of EU demands to make the least progress in reforms

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Table 1: Predicting the outcome of EU-demanded reforms in public administration and local government in Croatia, Macedonia, and Bosnia

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Croatia</th>
<th>Macedonia</th>
<th>Bosnia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic opposition to EU reforms</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderately weak</td>
</tr>
<tr>
<td>Character of EU demands</td>
<td>Not clear, moderately prioritized</td>
<td>Not clear, moderately prioritized</td>
<td>Not clear, moderately prioritized</td>
</tr>
</tbody>
</table>

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i Knaus and Cox hold out hope that the EU’s powerful, voluntary pull will work for potential candidate countries, including Bosnia.

ii Local governments in the Western Balkans are responsible for providing services (trash, water, basic health; roads, documents, infrastructure for primary education) and generating local economic development.

iii Kosovo is not examined in this paper because three members of the EU have not recognized its independence and a dearth of data on the capacity and reform progress of key political institutions vastly complicate analysis of the impact of the EU on Kosovo. Neither Serbia nor Montenegro is examined since international officials have never attempted to impose the authoritarian state building model there.

iv While the implementation of several state-building models facilitates comparison of approaches it complicates the ability to isolate the impact of the EU on reforms in public administration and local governance. Two of the best techniques capable of isolating the impact of EU reforms - multivariate regression or random control trials – are not well suited to investigate the study of EU influence in only three countries and after reforms had already been implemented for many years. To try to isolate the influence of EU programs, I carefully analyze documents and interview testimony to focus on the specific goals of the EU, its particular programs, and domestic actors’ interaction with EU reformers. Undoubtedly, the reforms pursued by other reformers, however, spill over to influence the outcome of EU reforms. Further research is needed to more clearly isolate the impact of the EU accession process and aid.

v We interviewed domestic officials at national and local levels involved in local governance reforms, including ministry officials, mayors, municipal assembly representatives, staff of municipal administrations, local community (mjesne zajednice) representatives, and local NGOs. We located these interviewees through official government information, program evaluations, domestic academic advisors, and through snowballing – suggestions from early interviewees. The interviewee neither cover the entire population of actors involved in local governance reform nor amount to a representative sample of actors involved in local governance. However, care was taken to make sure that interviewees were knowledgeable about local governance reforms, worked with a wide variety of organizations involved in local governance, and were suggested by gatekeepers with diverging views of local governance reforms. In order to protect their anonymity, I use a code to refer to interviewees and refrain from identifying their particular organization or institution of employment.

vi The commission cited the biggest obstacle to IPA implementation in Bosnia as the late implementation—December 2008—of tax exemption provisions for IPA. It cited the biggest obstacle to IPA implementation in Croatia as the fact that the EU certified Croatia as capable of managing IPA only at the end of 2008. In Macedonia, the first IPA 2007 projects reached merely a 25 percent contracting rate by the end of 2008 (European Commission 2009b). But the EU itself is partly to blame for delays in IPA implementation by delaying adoption of the IPA Implementing Regulation from October 2006 until June 2007 (Gjorgjievska 2007, p 11).

vii I use codes to refer to interviewee in order to protect their anonymity.

viii As an example, Gjorgjievska (2007, p. 18) cites a Court of Auditors’ finding that the application file for a project for the purchase of a combine harvester and plough in Bulgaria contained 2,477 pages.

ix Numerous interviewees expressed the belief that the intrusion of politics between EU member states into the EU accession process weakens EU conditionality (AE Skopje 2008, ES Skopje 2008, AJ Skopje 2008).

x Bi-lateral donors, particularly USAID, worked with domestic civic activists to get the three countries to pass legislation on direct election of mayors in the 2000s. These new laws meant that mayors understood that their record of governing would help determine their chances for re-election, heightening their interest in reforms.