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To Act and Not Be Acted Upon: Embeddedness, Conformity, and Bad State-Building in Bosnia

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Abstract
In the breakup of former Yugoslavia, international organizations poured into Bosnia and Herzegovina. This paper argues that the high level of international involvement in Bosnia weakens state capacity by encouraging dependence on the international community. I focus on institutional embeddedness—the degree to which outside organizations fill state roles—to examine this claim. This paper explores the impact of strong EU presence in Bosnia’s state-building process on state institutional and capacity development. I then address the lack of adequate measures of embeddedness in current literature and develop a unique measure based on organizations’ involvement in political, economic, and social spheres. Cross-examination of Bosnia with other state-building cases suggests that states with more embeddedness have less state capacity. Thus, a better understanding of state-building in Bosnia has important implications for EU policy elsewhere. Furthermore, a solid measure of embeddedness will aid in studying international institutions and state-building throughout the developing world.

Keywords
Bosnia and Herzegovina, embeddedness, international organizations, European Union
INTRODUCTION

As the European Union closes its second decade of involvement in Bosnia and Herzegovina, several questions remain largely unanswered: What does the European Union have to show for its efforts? Has Bosnia developed into the independent state that the EU claims to desire? And what are Bosnia’s prospects for EU accession? After a brutal war that led to the deaths of an estimated 104,000 civilians, Bosnia and Herzegovina is now on the path to developing an autonomous democracy, heavily aided by international organizations (IOs) and nongovernmental organizations (NGOs). This paper, however, argues that the high level of EU and international involvement in Bosnia and Herzegovina actually weakens state capacity and lessens autonomy. This analysis is enhanced through the creation of a novel mechanism for measuring the embeddedness of international organizations.

These questions are of vital importance in assessing the EU’s state-building policy in Bosnia and beyond, as successes and failures of states affect not only citizens of the nation in question, but also influence regional and global political and economic spheres. Indeed, the successful development of Bosnia and the Balkans is significant for Europe as a whole. Dr. Javier Solana (2001), the former High Representative of the Union for Foreign Affairs and Security Policy, once said, “I make no apology for concentrating on the Balkans. They are on our doorstep. The security of Europe depends on stability in the Balkans. They are also a test-case for Europe’s enhanced Common Foreign and Security Policy. Nowhere more than the Balkans is the EU expected to deliver”. The European Union, having spent millions of Euros over the course of two decades, certainly has been expected to deliver in the Balkans. But what exactly has come about as a result of EU involvement in the region?

TROUBLING TIMES IN BOSNIA: A HISTORY AND THEORIES OF INVOLVEMENT

The presence of international organizations in Bosnia is not altogether unwarranted. War in Bosnia and Herzegovina (BiH) broke out in 1992 as part of a larger set of conflicts referred to as the Yugoslav Wars. These wars were complicated by the fact that they involved not only struggles over the creation and preservation of boundaries and land, but also pitted different ethnicities against one another. Armed conflict in Bosnia ceased only after the international community’s intervention and peacekeeping forces, led by the United Nations, the North Atlantic Treaty Organization, and later the European Union, were able to end hostilities in 1995 with the signing of the Dayton Accords. Understandably, these organizations then began the process of rebuilding the Balkan region so as to stabilize the area home to Europe’s most violent conflict since the Second World War.

Though the war has been followed by years of development encouraged by IOs and NGOs, Bosnia is far from stable. Ethnic and economic tensions aside, Bosnia still struggles to perform many basic tasks required of an independent democratic country. Most recently, Bosnia came under criticism for not being able to form a new government for fourteen

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1 Definite numbers are hard to come by, though most estimates place the total death toll at slightly above or below 100,000. See Tabeau & Bijak, 2005.
2 These ethnicities were further divided along religious lines. For a helpful review of the war, see the Center for Balkan Development at http://www.balkandevelopment.org/edu_bos.html.
months after its last elections. Bosnia consistently ranks lower than all other Southern and Eastern European countries in many measures of economic and political stability, including the World Bank World Governance Indicators and the Freedom House Freedom in the World surveys. Such results are worrisome for those who wish to see Bosnia and Herzegovina develop into a strong, independent nation in Southern Europe.

That the Balkan states are weak is not a contentious claim. Countless scholars and statesmen agree that much of politics in the Balkans exists more out of formality than function. Nowhere is this truer than in Bosnia and Herzegovina. State capacity, or the ability of the state to perform basic functions (such as collecting taxes, providing basic services, and directing economic governance), is weaker in Bosnia than in any other state in the region. Some claim that the lack of political and social structure and functionality in Bosnia is so severe, “Bosnia would not exist today as a state but for international support” (Bose, 2002, p. 22). Statements like this cast doubt on the future of Bosnia and Herzegovina, and they are not without reason.

In his work on Western European involvement in the Balkans, Adam Fagan (2010) examines the role of the EU in the area’s development. He notes that the stated goal of the European Union for the Balkans is the Europeanization of these nations and their eventual integration into the EU. In achieving this objective, he observes, the EU has turned not directly to the state, but has employed a plethora of NGOs and IOs for the purpose of developing democratic capacity in the region (p. 9). This has significant implications for the development of Bosnian capacity. If the Bosnian state’s roles are consistently filled by international actors, then Bosnia will have less incentive to build its own political structures and capacities.

Indeed, the method by which international organizations have become involved in Bosnia seems to encourage Bosnian dependency. As posited by Wade Jacoby (2006), international organizations can exercise their influence to bring about institutional changes through three fundamental modes. The first of these, called inspiration, occurs when “ideas flow from outside to inside and concern either the end state of particular institutional or policy reforms or how to execute such reforms” (p. 628). In short, domestic actors observe and imitate international organizations’ policies that they deem beneficial. The second mode, or coalition approach, entails outside organizations intervening to influence institution and policy formation by working with existing in-country factions (p. 629). The most invasive mode of involvement is substitution, which occurs “when external actors attempt to promote and execute specific reforms on their own” (p. 630). Substitution implies that external actors do not work with internal actors to form and enforce policy. Rather than attempt to form coalitions with inexperienced or slow-moving domestic groups, international and nongovernmental organizations import their own institutions into the country. As demonstrated by the heavy involvement of the EU’s Office of the High Representative in Bosnia, this intensive substitution mode of involvement has been the EU’s standard operating procedure in Bosnia.

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3 Elections were held in October 2010 and Bosnian political leaders were not able to reach consensus on a new government until the end of December 2011. This open failure of democratic norms in Bosnia has been widely covered in the media and is significant enough to have caught the attention of the United Nations Security Council. See the UN report at www.un.org/News/Press/docs/2011/sc10449.doc.htm

4 Bosnia often scores worse in some indicators than Kosovo, where open conflict took place more recently (and severe political turmoil still continues).

5 Leeda Demetropolou examines another set of methods of EU involvement in Bosnia and Herzegovina. These methods also point to a substantial EU reliance on IOs and NGOs. See Demetropolou, 2002.
In Europe’s Balkan Dilemma, Adam Fagan (2010) also addresses and extends the analysis of this substitutive, control side of EU involvement. More than simple “reinforcement by reward,” Fagan asserts, “the EU intervenes far more in the implementation and enactment of reforms through local Delegation and, in the case of BiH, the Directorate of European Integration” (2010, p. 27). Some scholars, such as David Chandler (2006), insist that the EU, through its myriad NGO faces, has not relied on conventional “carrot and stick” methods of incentivizing policy reform, but has in fact managed to maintain a very direct form of control over the processes of state development in Bosnia. The EU and other international actors have seemingly withheld from Bosnia the chance to operate as an independent state.

This dilemma of sovereignty, the result of far-reaching and substitutive non-state involvement, has been well-documented and is not of little consequence. Marlies Glasius and Denisa Kostovicova (2008) note that “the state in the Balkans is weak in a structural as well as the political sense: it cannot provide public goods and it lacks political, national and social cohesion” (p. 91). Bosnia lacks this cohesion because it has never been allowed to develop it. Dominik Zaum (2003) also recognizes the depth of Bosnia and Herzegovina’s dependency on the European Union. In what he terms the “paradox of sovereignty,” Zaum finds that intensive international involvement in Bosnia has led to a weakened sense of Bosnian sovereignty. The EU’s encroachment upon—if not seizure of—Bosnian sovereignty has significant implications for the future development of the country, as a full pullout of EU-backed NGOs and IOs would leave Bosnian political and civil society crippled. The EU is perhaps hesitant to allow Bosnia full autonomy due to fears of future political failure, which could potentially lead to open conflict in the Balkans. Yet because Bosnia has not had to undergo the valuable formative and sometimes turbulent processes of developing its own institutions and capacity, the state remains underdeveloped and dependent.

Chandler (2007) offers a more direct indictment of the European Union’s state-building policies. He points out that, though EU doctrine states that local governments have equal power with IOs and other international institutions,6 this is more formality than actual practice, as the EU has pursued its own strategic interests in the region at the cost of meaningful and lasting development in the Balkan states. The EU’s involvement, he argues, has led to Balkan states that have international recognition but not sovereignty, as EU policies have tended to destabilize the very states they are purported to help. Thus, the EU is in some sense more an avaricious empire builder than a charitable state-builder.

There are, of course, alternative explanations of Bosnia’s developmental lag. Ethnic and religious cleavages served as catalysts in the war in Bosnia and their effects are certainly felt in the region today. Battle lines were drawn along the Serb, Croat, and Bosniak ethnic identities that were largely unimportant in the Republic of Yugoslavia. These newly important ethnic identities were further deepened by religious association. These ethnic divisions persist today and are even preserved in Bosnia’s constitution, which mandates that governmental seats be allocated evenly amongst the three ethnicities.

Many scholars have also demonstrated the powerful and negative impact that war has

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6 See the Stability Pact for South Eastern Europe at http://www.stabilitypact.org
7 Bosnia, for example, is a state in which an estimated 45 percent of the population is Muslim. See the U.S. Department of State’s International Religious Freedom Report 2010. At http://www.state.gov/g/drl/rls/irf/2010/148920.htm
on economic and political development. Armed conflict in the area was not limited to Bosnia and Herzegovina, as the breakup of Yugoslavia led to wars in Slovenia, Croatia, and Kosovo. Other Southern European nations have also experienced recent armed conflict during this time period. For example, civil war broke out in Albania in 1997, and armed uprisings occurred in Macedonia in 2001. While the scope of the conflict in Bosnia and Herzegovina was undoubtedly much greater than in neighboring countries, I choose here to focus specifically on the role of institutional embeddedness in explaining capacity development. I do not discount the effect of conflict on state capacity and the ensuing challenges of post-conflict reconstruction, and I hope to control somewhat for the effect of conflict on development by expanding my analysis to include other countries in the region that experienced similar conflict.

Despite these factors, the EU has been able to have a positive impact on state-building in the region. Accession to the EU is a reasonable standard of a state’s successful development, as the EU requires that member states not only have stable market economies, but stable and democratic institutions as well. In 2004, eight states from the region, including Slovenia, were part of the enlargement group that joined the EU, and Romania and Bulgaria joined in 2007. Indeed, Bosnia’s neighbors Croatia, Macedonia, Montenegro, and Serbia are currently candidates for EU accession.

While such explanations of state-building are important to take into consideration, they have been well-studied and it is unlikely that they exclusively explain Bosnia’s developmental path. In this paper, I take a different approach and examine the Bosnian case by focusing instead on the concept of embeddedness. I explore embeddedness and its impact in Bosnia as well as across several other Southern and Eastern European nations, including the entire former Republic of Yugoslavia. This comparative approach should more fully uncover potential causes of underdevelopment, which can in turn aid in evaluating state-building policy.

As the literature demonstrates, the idea of IO and NGO embeddedness is not new, especially when examining the situation in Bosnia and Herzegovina. Embeddedness refers to how many state functions are carried out not by the state, but by an outside organization — the more embedded a non-state organization is, the more state functions it performs. Despite being a well-established concept, there is a general lack of appropriate mechanisms for measuring embeddedness. I synthesize three comparative political theories to form the foundation of a new measure of organizational embeddedness.

One major field of contemporary political theory has sought to “bring the state back in” to comparative political studies as a corrective to an over-focus on societal actors. For example, Skocpol (1985) insists that the state can be viewed as a relevant actor in political spheres, focusing primarily on how state autonomy from social groups and state capacity play out in social, economic, and political situations. She insists that the state can be viewed as a political actor because it affects policies, structures, and patterns of relationships throughout

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8 This is an important and compelling area of study. Collier, Elliot, Hegre, Hoeffler, Reynal-Querol, and Sambanis (2003) and Besley and Persson (2010) offer especially applicable studies of the relationship between armed conflict, development, and state capacity.

9 The Humanitarian Law Center (www.hlc-rdc.org) and the International Center for Transitional Justice (www.ictj.org) provide helpful data that document these conflicts.

10 For example, see also the work of Peter Evans and Truong Vu. These and other scholars have played a key role in bringing state-level analysis back to the forefront of comparative political analysis since the mid-1980s.
society. I build on this approach by suggesting that IOs and NGOs are best seen in the Bosnian context as micro-states. These organizations assume state powers and functions during the state-building process and should, therefore, be examined alongside the state itself. Such organizations maintain their own norms and standards that are led by their own bureaucratic mechanisms, which are headed by their own sets of elites. In sum, state-building IOs and NGOs are akin to micro-states because they have specialized in one particular aspect (or, in some cases, several aspects) of the state.

Furthermore, as Douglass North and Barry Weingast (1989) imply, a lack of boundedness of powers, or restrictions on the scope and depth of political involvement, can have detrimental effects on the formation of a state. To extend this theory to the Bosnian case, the lack of boundedness on the part of the EU has led to slow and insufficient development of the Bosnian state. EU and EU-backed organizations have not sufficiently bounded their powers, but have allowed their reach to encroach upon the powers of the Bosnian state. Understandably, this has had damaging consequences for Bosnia and Herzegovina.

I propose that these negative outcomes of unboundedness of powers arise as the result of insufficient opportunities for capacity development. This assertion is tied to Dan Slater’s theory of contentious politics (2010). The EU’s entrenchment in Bosnian society has deprived Bosnia of many normal growth opportunities, and one aspect that has been underdeveloped is contentious politics. When all political interactions take place in channels that are created and regulated by the EU and its partner organizations, no room is left for the state to develop such channels itself. Thus, the state misses out on key institution building opportunities and therefore has lower capacity.

Such missed opportunities have direct and negative consequences for Bosnian state capacity and autonomy. Much as a muscle will atrophy and remain weak if it never undergoes stress, the organs of the Bosnian state have become ineffectual because EU-led organizations have taken over many of the functions that the state should be able to perform on its own. It is understandable that Bosnia has underdeveloped state capacity, as IO and NGO over-involvement has eliminated the need for Bosnia to develop its own institutions and political structures. The creep of organizations into Bosnia, while well-intentioned on the surface, has led to the creation of a dependent state.

**EMBEDDEDNESS: HYPOTHESES AND VARIABLES**

Two main hypotheses follow from this paper’s theoretical approach. The first hypothesis focuses more specifically on the Bosnian case and seeks to explain why IOs and NGOs become embedded into a society. The second hypothesis addresses the broader concept of embeddedness and its effects on state-building.

**H₁: IOs/NGOs benefit from a non-autonomous state**

The first hypothesis delves into the deeper explanations behind IO and NGO behavior in Bosnia and Herzegovina. If states and organizations are relevant political actors that act rationally in pursuit of their own interests, then assessment of their behavior and methods can be valuable. The EU relies on IOs and NGOs extensively in this region and also participates directly in Bosnia’s state-building process. These organizations become involved in the

11 While North and Weingast (1989) do not explicitly discuss boundedness as a standalone concept, its importance is easily gleaned from their examples of the history of political development in Britain.
state-building process and at the same time develop their own infrastructure, capacity, and resources. The international organization thus develops a vested interest in staying active in the state-building process. If Bosnia were to be fully autonomous, then the organization and all of its employees would be out of work. Assuming that organizations and states act in pursuit of their interests, IOs and NGOs will likely seek to extend their involvement in Bosnia. While such behavior prolongs an organization’s life, it is detrimental to the formation of Bosnian state capacity and autonomy. This hypothesis is slightly troubling in that it infers that some IOs and NGOs are essentially parasitic to their beneficiary states. It also has interesting—and perhaps troubling—implications for the EU’s future withdrawal and exit strategy.

H₂: Too much embeddedness leads to weak states

This hypothesis focuses on the effects of IO and NGO embeddedness. First, it assumes that external organizations become involved in the state-building process, usually after some sort of shock to the recipient country (war or other conflict, economic system collapse, etc.). Organizations then assume state roles during the post-event reconstruction period. When organizations take on roles that are too comprehensive, they develop capacity and functions instead of and before the state. This deprives the host state of vital growth opportunities. If the state does not undergo these crucial development stages, it is left with weakened capacity.

Though this pattern of organizations’ involvement is certainly not a gold standard for evaluating international state-building involvement, its tenets hold true in many instances. While the level of an organization’s embeddedness may be of varying intensity, some degree of embeddedness will occur in virtually all international state-building processes that involve IOs and NGOs. These hypotheses have meaning for the European Union’s state-building efforts, and I turn now to a test of these propositions.

Variables

It is beneficial to quantify the proposed negative impact of increased IO and NGO involvement on state capacity. State capacity refers to the ability of a state to carry out basic functions, which can include such factors as taxation, spending, provision of public goods, and effectiveness of policy. In this research I use the World Bank’s World Governance Indicators (WGI) data to measure state capacity. These measures are based on a scale from -2.5 to +2.5, with higher numbers representing states with higher capacity. They are designed to capture variations in “the traditions and institutions by which authority in a country is exercised” (World Bank, 2011). Even a cursory examination of WGI scores for Bosnia and Herzegovina reveals a weak and underdeveloped state, especially when compared to other Southern and Eastern European states.

In this paper, I rely on the WGI measures for Government Effectiveness and Regulatory Quality in assessing Bosnian state capacity. Government Effectiveness measures the “perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies” (Kaufmann, Kraay, & Mastruzzi, 2010, p. 4). As Table 1 in the following page shows, Bosnia’s Government Effectiveness score of -0.73 is significantly lower than any other score in the region.
Table 1. Government Effectiveness in Southern Europe, 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Governance Score (-2.5 to + 2.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>-0.27</td>
</tr>
<tr>
<td>BiH</td>
<td>-0.73</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.01</td>
</tr>
<tr>
<td>Croatia</td>
<td>0.62</td>
</tr>
<tr>
<td>Kosovo</td>
<td>-0.6</td>
</tr>
<tr>
<td>Macedonia</td>
<td>-0.18</td>
</tr>
<tr>
<td>Montenegro</td>
<td>0.08</td>
</tr>
<tr>
<td>Serbia</td>
<td>-0.11</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.03</td>
</tr>
</tbody>
</table>

Source: World Governance Indicators, 2011

Regulatory Quality captures “perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development” (Kaufmann et al., 2010, p. 4). Again, a survey of Southern European countries points to a pattern of weak state capacity in Bosnia.

Table 2. Regulatory Quality in Southern Europe, 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Governance Score (-2.5 to + 2.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>0.23</td>
</tr>
<tr>
<td>BiH</td>
<td>-0.1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.61</td>
</tr>
<tr>
<td>Croatia</td>
<td>0.56</td>
</tr>
<tr>
<td>Kosovo</td>
<td>-0.04</td>
</tr>
<tr>
<td>Macedonia</td>
<td>0.28</td>
</tr>
<tr>
<td>Montenegro</td>
<td>-0.06</td>
</tr>
<tr>
<td>Serbia</td>
<td>-0.02</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Source: World Governance Indicators, 2011

Table 2 above provides further confirmation of Bosnia’s weak state capacity; the level of capacity development in BiH is low even when compared to other former Yugoslavian nations. There appear to be forces at play in Bosnia that are impeding the nation’s development of capacity and autonomy. This paper suggests that the penetration of IOs and NGOs into Bosnian civil and political society is a crucial factor that has impacted Bosnia’s development.

The concept of embeddedness is central to analyzing the relationship between levels of organizations’ involvement and the development of state capacity. Embeddedness refers to how entrenched an organization is into Bosnian civil society; that is, how many functions of the state are carried out not by the state, but by an IO or NGO. While much current political science literature anecdotally demonstrates that IOs and NGOs have become embedded into Bosnian civil and political society, there are no specific measures that focus on
the concept of embeddedness. I create a unique measure of embeddedness by determining whether certain functions are performed by the state or by an IO/NGO (essentially, who actually holds power).

Also important is the concept of boundedness. Though not currently measured in this paper, this concept takes into account the type of restrictions that an embedded IO or NGO has. Specifically, does an organization mission statement exist, and is there a specific withdrawal or closure date for the organization’s involvement in-country? If an organization’s powers are bounded, then it will likely not become overly embedded into the beneficiary country, as it has institutionalized limits that clearly define the extent of its involvement.

**Methodology and Results**

Assessing the first hypothesis requires qualitative within-case analysis. I rely primarily on Bosnia’s constitution and the Dayton Accords that ended the Bosnian War. The Office of the High Representative (OHR) and the Peace Implementation Council (PIC) are the EU’s leading institutions in managing affairs in Bosnia and Herzegovina. The founding documents of the OHR and the PIC form the basis of this analysis. I examine the second hypothesis in the context of nine Southern and Eastern European countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Serbia, and Slovenia.

I coded the embeddedness scores for each country by addressing primary source documents for these countries and the international organizations involved in them. I relied heavily on the countries’ constitutions, as well as EU and other international organizations’ mandates, mission statements, published documents, and websites in order to develop a unique scorecard using the definition of embeddedness in the previous section. While still in its rudimentary stages, such an operationalization of embeddedness is valuable in evaluating the state-building process in developing countries.

**Testing H1: A within-case analysis of EU involvement**

An examination of primary sources, including the Constitution of Bosnia and Herzegovina and the mandate of the European Union Office of the High Representative in Bosnia, suggests that highly-embedded organizations will more actively pursue policies that further the organization’s interests, sometimes at the expense of the beneficiary country’s capacity development. One concrete signal of embeddedness can be found in organizations’ “sunset clauses.” These clauses set the time period that an organization will be involved in the state-building process. If the EU, or any other organization, has a specific time horizon, then it will be required to withdraw from the country by that date. Such clauses imply that the organization has a viable exit strategy in place to ease the process of transitioning powers from the organization to the state government.

Interestingly, there is a dearth of bounded powers in Bosnia. The Office of the High Representative, which is the head of the EU’s presence in Bosnia, arose out of the international community’s desire to help Bosnia rebuild after the Bosnian War. The OHR, which received an operating budget of €9.4 million for 2011-2012, directs the EU mission in Bosnia and works with other IOs and NGOs to implement the EU’s plan for Bosnian development. The OHR is tasked with “[supporting] the peace process in many different ways – by assisting financially, providing troops for EUFOR, or directly running operations in Bosnia and Herzegovina. There is also a fluctuating number of observers” (OHR, 2011).

Both the Constitution of Bosnia and Herzegovina and the OHR were institutionally
formed out of the Dayton Peace Agreement, officially known as the General Framework Agreement for Peace in Bosnia and Herzegovina (GFA). Annex 10 of the GFA, which created the Office of the High Representative, essentially gave the EU a trump card over Bosnian politics. To quote directly from the final section of the OHR mandate:

**Article IV: Cooperation**
The Parties shall fully cooperate with the High Representative and his or her staff, as well as with the international organizations and agencies as provided for in Article IX of the General Framework Agreement.

**Article V: Final Authority to Interpret**
The High Representative is the final authority in theater regarding interpretation of this Agreement on the civilian implementation of the peace settlement. (GFA, 1995)

These articles reserve final powers for the OHR, thereby guaranteeing the OHR the ability to pursue its own objectives over the Bosnian state. The OHR’s mandate—and Bosnia’s constitution itself—grant the EU and its subsidiary organizations largely unbounded powers. Indeed, at the height of its involvement, it was not uncommon for the OHR to issue three new laws per week on average, and the OHR regularly dismissed elected officials that did not act in line with OHR reforms (Jacoby, 2006; Pond, 2006; Knaus, & Martin 2003). The embeddedness of IOs and NGOs into Bosnian society is not accidental; on the contrary, it is explicitly laid out in the nation’s founding documents.

Interestingly, the OHR did initially have a sunset clause requiring a withdrawal of EU administrative state-building presence. The European Union set a pullout date of June 2007, but the OHR did not follow this direction. In a press conference on 27 February 2008, then-High Representative Miroslav Lajčák explained the OHR’s actions, stating that, until the OHR’s objectives are met, the “OHR will remain in place and continue to carry out its mandate under the Dayton Peace Agreement, ensuring full respect of the Peace Agreement” (2008). Lajčák thereby extended the OHR’s involvement indefinitely.

The OHR clearly has a special relationship with Bosnia. In none of the other countries of the former Republic of Yugoslavia has the EU become so heavily involved than in Bosnia. Qualitative examination of the governing documents of Bosnia, the OHR, and the PIC points to a further tendency to prolong these organizations’ tenure. Thus, I argue the EU’s heavy involvement is a form of embeddedness and, consistent with the hypothesis, is a direct cause of Bosnia’s low state capacity. The main evidence, while not conclusive, is that Bosnia’s constitutional documents mandated this level of embeddedness and, in addition, initial sunset clauses were set aside.

**Testing H₂: Measuring embeddedness. A cross-case analysis of capacity**

Defining essential roles of the state is central in understanding the working relationship between state and other actors. The level of embeddedness of IOs and NGOs in a country

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12 Fulfilling the Peace Agreement is an interesting objective, especially considering that the war ended in 1995.
13 Kosovo is a slight exception. The European Union Rule of Law Mission (EULEX) in Kosovo has played an important role in peacekeeping and state-building. However, the EU as a whole has not officially recognized Kosovo’s independence. Much of the peacekeeping and state-building in Kosovo has also been conducted by the United Nations Interim Administration Mission in Kosovo (UNMIK) and NATO-led Kosovo Force (KFOR).
can be determined by the number of important functions that these organizations fulfill. I focus on three main categories of state functions: Political and Economic Capacity, Security, and Provision of Public Goods\textsuperscript{14}. Though still only a preliminary first approximation, this embeddedness scorecard is helpful in that it quantifies how entrenched organizations are into a country’s societal and political fabric.

The “Political and Economic Capacity” sphere examines the main forces behind political development. This category measures the autonomy of the state in carrying out regular, vital political and economic functions. Essentially, does the state pursue its own political objectives, or do international organizations have a part in dictating policy? A country scores a point for each election in which there was a full international observation mission, or a half point if there was a limited observation mission, in any of the past three general elections. A country scores an additional point if their constitution did not originate in its national-level parliament. A further point is given if the head of the country’s national bank is not appointed at the national-level, either by the president or parliament. The maximum score for this category is five.

“Security” measures whether the state has a monopoly on violence within its borders. Assessing military and police jurisdiction and physical security is fundamental in determining the capacity of the state – is the state able to maintain order itself, or do international forces have a significant presence?\textsuperscript{15} A country’s ability to maintain a monopoly over the legitimate use of force within its borders is a strong indicator of its functional capacity. This category currently consists of one criterion. A country scores a point if international military, police, or peacekeeping forces are actively engaged in the country.

The category “Provision of Public Goods” is also an important aspect of capacity. The level at which a nation is able to create and maintain schools, roads, public works, and other essential projects is directly indicative of its capacity. In short, can the state provide these necessary goods and services, or do international sources take on this role? The score for this category is based on the average number of aid projects per capita in the country from 1995 to 2010, with higher scores corresponding to more aid projects per capita.

To test this hypothesis, I compared results of the “embeddedness scorecard” across a subset of Southern and Eastern European nations. Included in this subset are all former Yugoslavian states. This most-similar systems approach, while not truly quantitative, yields interesting and significant results and confirms the hypothesis that too much embeddedness inhibits a state’s capacity development. A higher total score indicates greater IO and NGO embeddedness. The scorecard results are presented in Table 3 on the next page.

\textsuperscript{14} For further discussion of state functions, see “The Ten Functions of the State,” as proposed by Institute for State Effectiveness. See http://www.effectivestates.org/ten.htm for additional information.

\textsuperscript{15} Brian Taylor’s recent work on state-building in Russia highlights the importance of considering a state’s security and justice capacities as part of the state-building process. See Taylor, 2011.
Table 3. Embeddedness scorecard for Southern Europe, 2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>2</td>
<td>1</td>
<td>2.05</td>
<td>5.05</td>
<td>-0.27</td>
<td>0.23</td>
</tr>
<tr>
<td>BiH</td>
<td>5</td>
<td>1</td>
<td>2.34</td>
<td>8.34</td>
<td>-0.73</td>
<td>-0.1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1</td>
<td>0</td>
<td>0.25</td>
<td>1.25</td>
<td>0.01</td>
<td>0.61</td>
</tr>
<tr>
<td>Croatia</td>
<td>1.5</td>
<td>0</td>
<td>0.69</td>
<td>2.19</td>
<td>0.62</td>
<td>0.56</td>
</tr>
<tr>
<td>Kosovo</td>
<td>4</td>
<td>1</td>
<td>0.62</td>
<td>5.62</td>
<td>-0.6</td>
<td>-0.04</td>
</tr>
<tr>
<td>Macedonia</td>
<td>4</td>
<td>0</td>
<td>2.15</td>
<td>6.15</td>
<td>-0.18</td>
<td>0.28</td>
</tr>
<tr>
<td>Montenegro</td>
<td>3</td>
<td>0</td>
<td>0.37</td>
<td>3.37</td>
<td>0.08</td>
<td>-0.06</td>
</tr>
<tr>
<td>Serbia</td>
<td>2.5</td>
<td>0</td>
<td>1.35</td>
<td>3.85</td>
<td>-0.11</td>
<td>-0.02</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0</td>
<td>0</td>
<td>0.29</td>
<td>0.29</td>
<td>1.03</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Sources: World Governance Indicators; National constitutions of aforementioned states; EUFOR; NATO; EUPM; OSCE; AidData; EU OHR

The results of the scorecard yield an embeddedness score of 8.34 for Bosnia and Herzegovina, which is significantly higher than the scores of other countries. In confirmation of H₂, Bosnia’s Government Effectiveness and Regulatory Quality scores are also the lowest in the dataset. While the sample size is not large enough to permit full statistical examination, basic analyses confirm that there is a negative correlation between embeddedness and state capacity. As embeddedness increases, WGI scores—and therefore state capacity and autonomy—decrease.

In Table 4, I add each country’s Government Effectiveness and Regulatory Quality scores to create an aggregated total WGI score.

Table 4. Aggregated State Capacity Score

<table>
<thead>
<tr>
<th>Country</th>
<th>Total WGI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>-0.04</td>
</tr>
<tr>
<td>BiH</td>
<td>-0.83</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.62</td>
</tr>
<tr>
<td>Croatia</td>
<td>1.18</td>
</tr>
<tr>
<td>Kosovo</td>
<td>-0.64</td>
</tr>
<tr>
<td>Macedonia</td>
<td>0.1</td>
</tr>
<tr>
<td>Montenegro</td>
<td>0.02</td>
</tr>
<tr>
<td>Serbia</td>
<td>-0.13</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.78</td>
</tr>
</tbody>
</table>

Source: World Governance Indicators, 2011

Visual representation of the scorecard results emphasizes the relationship between embeddedness and capacity. As demonstrated in Figure 1 below, less embeddedness does seem to correlate with higher state capacity scores. The observations fit the trendline rather well, and most fall within the grey 95 percent confidence interval around the trendline. Additional
refinement of the scorecard will further clarify how strong of a predictor embeddedness is of state capacity.

**Figure 1. Scatter plot of embeddedness scorecard for Southern Europe, 2010**

As Figure 1 depicts, the Bosnian case appears to be different, as the European Union’s involvement in Bosnia was from the start markedly different than state-building efforts in other parts of Europe. While the EU does rely on international organizations in all state-building efforts, the creation of an Office of the High Representative seems to be an approach uniquely applied to Bosnia. The European Union Rule of Law Mission in Kosovo is perhaps the closest comparison to an OHR-type institution used in EU state-building. Thus, the two nations in which the European Union has used such an intensive approach have the lowest total WGI scores.

**LIMITATIONS AND CONCLUSIONS**

The scorecard in its present form is quite limited. Because of the narrow availability of data, I was only able to code information for a small number of indicators. Some information is available only in the native languages of these countries, which also limited the scope of my data collection and coding. Additionally, the categories of this first rendering of the scorecard are unweighted. This yields a theoretically simplistic measure of embeddedness, and the scorecard lacks sufficient robustness to capture all of the variation between these states.

16 For more information on the EU Rule of Law Mission, see http://www.eulex-kosovo.eu.
I intend to continue developing this measure of embeddedness by broadening the three component categories to include more indicators and by weighting the categories appropriately. I further plan to expand the scorecard to include developing nations in other regions of the world. It is my hope to create a reliable and generalizable measure of embeddedness that can be used in statistical analysis. Though still very basic, I believe the initial empirical picture as presented by the scorecard is consistent with the underlying intuitions that frame this paper.

As demonstrated in this paper, embeddedness can be a useful tool in examining the state-building process and its effects on states’ development of capacity. The Bosnian and Herzegovinian case offers compelling qualitative evidence that high levels of embeddedness are harmful to the formation of state capacity, and that international and nongovernmental organizations do seem to act out of self-interest. While these findings confirm the proposed hypotheses of the negative effect of embeddedness on state capacity development, many questions are left unanswered. More detailed inspection of EU state-building efforts in other areas of Europe would be beneficial to understanding the motives behind the EU’s policies. Although preliminary, these results underscore the importance of studying institutional embeddedness in international state-building.

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