

# Bosnia and Herzegovina 2014



**Total: 56.53**

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## Quick facts

Population:	3.87 million
Unemployment rate:	27.5 %
GDP:	17.98 billion \$
GDP growth rate:	0.8 %
GDP per capita:	4650 \$

## Political Freedom

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### Free and Fair Elections : 6.43

Elections in Bosnia and Herzegovina are generally free and fair. The results of the last general election in 2010 and of local elections in 2012 were not disputed. The electoral law contains some ethnic limitations, which have been unsuccessfully addressed not just by Bosnian politicians, but also by the international community. Despite numerous meetings under the authority of the EU, no ground for the common solution has been found. Also the verdict of the European Court for the Human Rights from 2009 (in the so-called Sejdic-Finci case) which concerns the elections of the Presidency has still not been implemented.

Compared to other countries in the region, laws regarding campaign financing are strict and well enforced. In February 2014, the Federation of Bosnia-Herzegovina was seriously shaken by a series of protests in the predominantly Bosniak parts of the country. The demonstrators were moved by dissatisfaction and anger towards the political elite of the country and complained about corruption, unemployment and poor living standards. Other demands of the protesters were seen by Croats and Serbs as disguised demands for more centralisation which is why the protests didn't attract significant support by these ethnic groups. Failing to reach a critical momentum and faced with violence the protesters organised a set of non-formal meetings in order to promote a concept of "direct democracy". Although a number of the proposals made during these meetings seemed reasonable, only few of them were discussed in parliament. Therefore it seems questionable whether the protest movement will be able to influence political life in Bosnia and Herzegovina, or have influence on the upcoming elections which are scheduled for October 12th.

Also this year, the elections for the state presidency, state Parliament, parliaments of the entities, president of the entities, and (for the voters in the Federation) for the cantonal parliament take place on the same day, the voters will be most likely confronted with four or five different races, which might contribute to some confusion at the polling stations. It is to be hoped that the release of the election results will not be delayed for days, as it happened in 2010.

## **Absence of Unconstitutional Veto Players : 5**

Bosnia and Herzegovina is the only country in the Western Balkan region which features an unconstitutional veto player, being the High Representative (HR) for Bosnia and Herzegovina, within the Office of the High Representative (OHR). The Dayton Accord is the legal basis for the OHR, which grants the HR substantial invasive veto powers. It's role is to guarantee the civilian implementation of the Dayton Agreement. The mandate of the HR was extended by the Peace Implementation Council (PIC) until a set of benchmarks and conditions have been fulfilled. Closure of the OHR is considered to be a pre-condition for reaching the EU candidate status.

In Bosnia and Herzegovina, most reforms in recent years and conditions for closer ties with the EU remain unfulfilled. They are opposed by strong interest groups and uncompromising political elites. The February protests showed that citizens have grown disillusioned and unwilling to further tolerate poverty, economic mismanagement and rampant corruption. Those intense but ultimately failed protests did achieve little but to scare political elites and their backers.

Bosnia and Herzegovina and Kosovo remain at least partially internationally administered and the formal and informal powers of external actors restrain the countries' sovereignty.

## **Freedom of Press : 5**

The press in Bosnia and Herzegovina is partly free. It reflects the stalemate in Bosnian politics which has slightly worsened during last year (from 5,1 to 5). Critical journalists are physically threatened in case they stick to investigative journalism. The ownership structure of the press does not allow it to become the fourth pillar of power since there is no rule of law. Self-censorship is widespread. The press council as a regulatory body is still not acting. Politicians strive to exert influence on reporting of the media through controlling the advertisement market – one of the most important sources of financing.

## **Rule of Law**

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### **Independence of the Judiciary : 4.5**

The legal framework in Bosnia and Herzegovina is complex due to the multi-tier system of government as stipulated by the Dayton Peace Accord. The judicial system is fragmented. Political divisions between and within entities, with no consensus on the country's desirable future constitutional order, hinder meaningful institutional or other reforms. Political influence on courts and prosecutors is common and pervasive. The courts are underfunded. However, the Global Corruption Barometer 2013) found judges as less often corrupt than some other public-sector professions (politicians, doctors, etc.). In its Progress Report for BiH in 2013, the EU noted a

considerable advance in war crimes trials, as a result of successful implementation of the National War Crimes Strategy. There along, the backlog of war-crime cases has decreased, to it more than the decrease of backlog of other criminal cases. The prosecution of war-crime cases involving sexual violence has also somewhat improved. Many things are yet to be done to put war-crime or other proceedings into good shape. Criminal codes are as much different in the two BiH's entities that they tend to produce uneven sentencing, hence nurture legal uncertainty. Witness protection programs need additional support and improvement.

## **Corruption : 4.2**

A complex political system and legal framework, as well as flaming rhetoric and ruthless political strife within and between entities continued to impede transparency and accountability and hinder the anti-corruption struggle. The Agency for Prevention of Corruption is still not operable and its real independence from the executive is in question. Of all corruption investigations, 70% were dismissed while only a few perpetrators faced jail sentences. Weak sanctions do not outweigh corruption gains. Even if independent bodies point out at irregularities in governments at various tiers, judiciary fails to prosecute. Whistle-blowers are unprotected. Access to public information is poor. Especially problems with procurement persist. Public sector is captured by political parties who employ their activists or known supporters. Citizens (via Global Corruption Barometer 2013) perceive political parties, public administration, legislative bodies and healthcare services as the most corrupt. Much of the reason for social unrest in several towns in BiH in February 2014 could be attributed to the citizens' anger over exclusivity and almost complete disaffiliation of the entire political elite from their everyday needs. Between 2012 and 2013, BiH stagnated, with her CPI at 42 and ranking, together with Serbia, as the 72nd of 177 countries. Prospects will be even worse if some recent legal initiatives are effectuated, bringing even more "party-state", hence more corruption, via changed election and procurement laws.

## **Protection of Human Rights : 5.38**

Two decades after the war, kidnappings and extra-judicial killings are no longer common in Bosnia and Herzegovina. However, the respect for human rights shown by security forces is variable. Use of excessive police force was common during the demonstrations in February 2014. There are numerous cases of arbitrary arrest and a prevalence of torture or ill treatment in custody or prison. Regarding death penalty, Republic of Srpska is de facto albeit not de jure abolitionist. In the Federation of BiH, the backlog of court cases decreased, but only to amass a backlog of prison cases awaiting execution in the overcrowded prisons. Life is considerably less relaxed and discrimination more widespread outside one's own ethno-religious neighborhood. Members of "non-constituent" ethnicities such as the Roma are by far worst affected. Women, youth and middle-aged are discriminated in employment. Employment in public sector (including crony private companies) is anyway tightly controlled by political parties, themselves most often ethno-centric. Freedom of thought and expression (including freedom of the press) is limited. Refugees and IDPs face un-reasonable administrative and/or political obstacles to return, or a "selective justice". Homophobia is strong: LGBT events, even if purely cultural and kept indoors, are often met by violent counter-events. Hate speech and impunity for it are a part of everyday life. Even though war crimes' prosecution improved, the public is still biased towards offenders from their own ethnicity. Many serious offenders live (often as mid-ranking government officials or other "honorable citizens") side by side with their former victims, whom they tortured, raped, harassed, or whose relatives they killed during the war. The authorities of Republic of Srpska did not accept the rulings of international courts in as far as the crimes in Srebrenica were described as genocide. Numerous authorities - throughout BiH, at various tiers of government - deny one or

another aspect of the war crimes of the 1990s. Hate speech and war crimes` denial overwhelm school curricula, anyway heavily contested along ethno-political lines. On the other hand, human rights` NGOs or other freedom defenders enjoy relatively acceptable treatment, which is perhaps due just to the massive presence of international community. Their cooperation with likeminded NGOs in the region is on the rise. Overall, it is civil society that does most of the work on the post-war reconciliation, both within the BiH and across her borders.

## Economic Freedom

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### **Security of Property Rights : 5.88**

Private property rights are not adequately protected in Bosnia & Herzegovina. The poor state of the judiciary system influences the low overall score. The judicial process is slow, partial, and occasionally influenced by politics and corruption. Attempts o reforming the judiciary came to a halt because of the political instability and constant friction between the two entities that form the country - the Federation of Bosnia & Herzegovina and Republic of Srpska.

However, some progress has been made recently. Business Costs of Crime and Reliability of the Police sub-scores of the Economic Freedom of the World report improved significantly, adding to the increase in property rights freedom. The future reform process is conditioned by political process, which can be facilitated through increased political stability and inter entity agreement. This is especially important for the judiciary reforms.

### **Size of Government: Expenditures, Taxes, and Enterprises : 5.52**

In general, spending and direct government involvement in the economy is high. Public consumption stood at 47.1% of GDP in 2013. Both individual income tax and corporate tax are set at 10%. However, the overall tax regime is unnecessarily complicated, mainly due to the political division of the country into two entities and their sometimes differing taxation rules. Cantons have different property tax and other government fees. The absence of a coherent national fiscal policy has resulted in poor budgetary performance.

Weak public institutions and interventionist policies have hindered the overall privatization process. This has resulted in over-employment in state-owned enterprises. More often than not these SOEs find themselves in dire financial straits and require government subvention to survive. Several industries are government monopolies and used as tool in the political struggle without consideration for the resulting economic effect.

### **Regulation of Credit, Labour, and Business : 5.93**

Bosnia and Herzegovina regulatory environment is in principle favorable to business, although red tape and corruption remain obstacles. Credit regulation is a strong side of Bosniaâ€™s economy. Labor laws are a mixture of flexible (working hours regulation and non-excessive collective bargaining) and non-flexible regulations (hiring and minimum wage regulations). The high rate of unemployment (especially among the young people) and a thriving shadow economy signal the

need for reforms.

Administrative requirements for business operations are harmful to companies due to rampant corruption and lengthy administrative processes. The bureaucracy is low, inefficient, expensive, non-transparent and highly corrupt – all of which adds to the cost of doing business in the country. Tax compliance costs are also high, due to complicated administrative requirements.

## **Freedom to Trade Internationally : 8.69**

Trade freedom is at a high level in Bosnia and Herzegovina. In spite of ethnic tensions trade is free between federation entities. An interesting fact is the emergence of intra ethnic-trade – trade volumes between the Serbian entity and Serbia, as well as Croatian and Bosnyak entity with Croatia are of much higher volume than expected by trade gravity models. However, strong cultural, language and historical bonds fueled several special exit and entry arrangements with Croatia, Serbia and Montenegro, resulting in enhanced trade networks with the region.

Bosnia and Herzegovina is a member of Central European Free Trade Agreement and has signed Stabilization and Accession Agreement with the EU. These two trade agreements liberalized trade framework, resulting in low tariffs and small regulatory barriers especially with CEFTA countries. Further EU integration, although conditioned by political reforms that should be taken within the country (Bosnia is the only Western Balkan country without official EU candidate country status), is expected to further boost freedom of international trade in Bosnia and Herzegovina.