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# Horizontal Inequalities and Post-Conflict Development

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5. As Cramer (2001) argues, 'it is missing the point to isolate privatisation and to make sweeping claims for its success or failure as a discrete policy tool'.
6. For example, with respect to Kenya, see Vandenberg (2006).
7. See Collier et al. (2003) for a clear statement of this idea, and Cramer (2006) for a critique.
8. For more details, see Venugopal (2009).
9. See World Bank (2001), p. 14.
10. On war and peace, see Nordstrom (1997) and Manning (2002).
11. Although, as Cramer et al. (2001) note, '[g]iven the country's history, if there was any intent to sell state-owned enterprises to people with experience and knowledge and some money, this would necessarily translate into beneficiaries being largely Frelimo members, but it does not translate into a complete conspiracy of the nomenklatura to take all such assets into their own private hands. Indeed, the majority of assets did not go to party "bosses"'.<sup>1</sup>
12. Cramer (2006), p. 271.
13. Drawn from V. Ramachandran and M. K. Shah (1999), 'Minority Entrepreneurs and Firm Performance in Sub-Saharan Africa', *Journal of Development Studies* 36(2): 71–87. On the Asian/Indian dominance over business enterprises in Kenya, see Vandenberg, P. (2003), 'Ethnic-Sectoral Cleavages and Economic Development: Reflections on the Second Kenya Debate', *The Journal of Modern African Studies*, 41(3): 437–455.
14. Hodges and Tibana (2004) demonstrate that there are large regional differences in budgetary allocation, such that the capital Maputo City receives twice the per capita amounts allocated to Zambezia and Nampula.
15. See Bowen (2000). Especially part 3 describes how socialist and post-socialist development in Mozambique has been biased in favour of urban areas and urban elites at the expense of the rural majority.
16. Morgan, G. (1990), 'Violence in Mozambique: Towards an Understanding of Renamo', *The Journal of Modern African Studies*, 28(4): 603–619.
17. See Divjac and Pugh (2008); Pugh (2006).
18. Pugh (2002).
19. P. Edwards (1996), 'Ethnic Chinese in Cambodia', in *Interdisciplinary Research on Ethnic Groups in Cambodia*. Centre for Advanced Study, Pnomh Penn; W. E. Willmott (1967), *The Chinese in Cambodia*. University of British Columbia: Vancouver, BC.
20. See World Bank (1992); Irvin (1993).
21. These data are obtained from the IMF Statistical Appendix to Cambodia over 1997–2004.
22. See Crispin (2007); Fulbook (2004).

## 6

# The Bosnian Paradox: On the Causes of Post-War Inequality and Barriers to Its Recognition and Reduction

Susan L. Woodward

## 6.1 Introduction

The Bosnian case is particularly intriguing for a theory of conflict based on the risks inherent in horizontal inequalities (HIs) – whether as a motive for civil war or as a threat to post-war stability. Bosnia's pre-war government, as a federal unit of socialist Yugoslavia, guaranteed political equality among its ethno-national groups, including quotas for all public sector employment. Socialist principles of social and economic equality protected women and subsidized the welfare and development budgets of poorer towns and regions. Its post-war government, designed by outsiders as a solution to ethnic conflict, guarantees political equality among its three ethno-national groups on the basis of even more extensive, ethnically defined institutions, group rights, and power-sharing rules.<sup>1</sup> The first system did not prevent war. The second has not prevented rising post-war inequality, ethnic exclusion, and group discrimination. According to a large research literature and many significant foreign and Bosnian political actors, the externally imposed 'Dayton constitution' has made post-war Bosnia-Herzegovina more unstable by institutionalizing group differences, ethnicizing social relations, and building ethnic conflict into government decision-making. If so, this chapter will argue, that instability will not be a result of inequality.

The argument has three components. First, the data available show that most post-war inequality is not among ethnically defined groups. Second, the governmental structure creates multiple barriers against the

politicization of non-ethnic differences, and also against doing anything about inequality. Third, the conviction, on all sides of the ongoing constitutional conflict, that the source of all post-war Bosnian problems is the constitution prevents all but a few economists and sociologists from paying attention to the real causes of post-war inequality: the choices made, almost entirely by outsiders, on economic policy, and a domestic politics driven by the identities, values, and political behaviour of a society emerging from war. After a brief background to the conflict, the chapter will set out each of these three components. The lessons of the Bosnian case point to policies chosen by external actors – diplomatic, economic, administrative, and humanitarian – and to their disregard for local values and local consequences.

## 6.2 Pre-war system and history of the conflict

Like all civil wars, the Bosnian War of 1992–1995 was about the state, and, because the externally imposed outcome was an independent country in which all three warring parties had to coexist and share power, the conflicts that led to war did not end with the cessation of violence but still continue, 17 years later, in disagreements about the causes of the war and about a correspondingly legitimate post-war state.

The occasion for war was not, however, a Bosnian quarrel. That was the quarrel over economic policy and constitutional reform, during the 1980s, between and among the federal government and the three wealthier northern republics of the Socialist Federal Republic of Yugoslavia and the decision taken by two, Slovenia and Croatia, to secede in June 1991. Even then, the breakup of the country as a result of European Union (EU) recognition of Slovene and Croatian independence, *de facto* in October 1991 and *de jure* that December, would not have provoked war in Bosnia had the EU not hastily invited the other four republics to request independence, ignoring full warnings about the consequences for Bosnia without a prior negotiated agreement among members of its governing coalition.

The federal units of Yugoslavia were defined by the Leninist (and thus Austro-Marxist) approach to the 'national question',<sup>2</sup> recognizing constitutionally the rights to national self-determination of the five 'founding' nations (Croats, Macedonians, Montenegrins, Serbs, and Slovenes) within a community of equal peoples and a socialist, one-party system. Bosnia-Herzegovina was an exception. Its formation recognized its historical and cultural identity, not a national one. Because

national equality applied to individuals regardless of the republic in which they lived, for example with an expansive rule of proportional representation in all positions of authority (called the national 'key'), the Bosnian communities of Croats and Serbs had 'constituent nation' status individually in the republic; during the 1960s, first at the republic level and later in federal constitutional amendments, Muslims also acquired constitutional status as a nation. The many other ethnic and religious minorities, together, had representation as 'others'. Because of this mixed population and its crucial role in the communist parties' national liberation struggle in World War II, the greatest supporters of the party's principle of 'brotherhood and unity' among nations were in Bosnia – but so, too, was the greatest sensitivity to ethnic difference and to its political dangers.

The 1980s quarrel that led eventually to the country's demise was over its socialist principles, however. These principles of solidarity and redistribution, although within a highly decentralized and open economy, were profoundly disturbed by the 1979–1981 debt crisis and the International Monetary Fund (IMF) programs of macroeconomic stabilization and structural adjustment in 1982 and 1985. Because federal decision-making was based on consensus among equal representatives of the nationally identified republics (and of two autonomous provinces within Serbia), and because the IMF program called for a restoration of federal authority over jurisdictions necessary to macroeconomic stability after a long period (beginning in 1952, but especially in the 1960s) of ever greater devolution to the republics, it was easy for opponents to charge violation of their republican, and thus 'national', rights to 'sovereignty' over economic resources and policy. As the deep recession and stabilization program led to ever higher unemployment (concentrated among youth after 1972), to a freeze on all consumption-related imports, and to cuts in public expenditures that had subsidized the welfare budgets of localities whose gross domestic product (GDP), and thus local revenue, was below the country average, the effect on individual living standards (which had been the envy of all of eastern Europe) also provoked accusations of 'exploitation' (in the Marxist sense) by one national group against another. No national group saw any need to provide evidence, and it was not easy to contest these claims because of a long-standing political taboo on publishing economic data on ethno-national patterns of inequality, unemployment, and social welfare (and the mixed nature of residential patterns, marriages over generations and even identities would have made such claims contestable in any case). The *coup de grâce* came when US and European support for the

Slovene and Croatian leaderships ignorantly accepted their justification for secession, that their 'national' rights and freedoms were being denied in Yugoslavia. The interpretive framework for international policies was set, and the fate of multinational/multiethnic Bosnia totally unclear.

At the time of the EU decisions that dismantled Yugoslavia between June and December 1991, Bosnia was governed by a coalition of ethno-nationalist political parties that had defeated civic (primarily liberal and social democratic) parties the previous November, in the first multiparty elections in socialist Yugoslavia, as part of the ongoing constitutional reform that was gradually ending the socialist system politically and economically and that cascaded through the republics, starting with Slovenia and ending with Serbia and Montenegro.<sup>3</sup> The government was a collective presidency on the Yugoslav model, with two representatives for each of the three Bosnian 'constituent nations' and one representing 'others' with the decision-making rule of consensus. Differences on independence emerged immediately, when the European Community (EC)<sup>4</sup> declared Yugoslavia in 'a process of dissolution' in October 1991. After the sitting chair of the collective presidency (an annually rotating position) accepted the December EC (EU) offer to request independence (unfortunately, without consulting the other members), the EU required Bosnia, on the advice of an advisory commission of jurists, to hold a referendum on independence, and then initiated tripartite negotiations with the three 'national' groups on the shape of an independent state. The negotiations failed, it is generally agreed due to US interference, and the Serb parties boycotted the referendum. Nonetheless, the EU and the US recognized Bosnian independence a month later (on 6 and 7 April 1992), and the localized hostilities since the previous September exploded into full-scale war.

The war had two components: a war of independence and the borders of that new state, and a civil war about who would rule and how in the resulting borders. Although the internal debate from October 1991 to February 1992 had coalesced into three national positions (Croat, Muslim, and Serb), the dynamic of the war reflected multiple shifts in positions, temporary coalitions, much international involvement, and a nearly total lack of influence of political parties and civil-society groups which chose not to take up arms but to lobby internationally for a separate, civic outcome. The speed of events outside the control of any Bosnian group also prevents any assessment of what Bosnian citizens would have chosen had there been time for public deliberation or popular participation (aside from the self-defensive arming that did occur

within local communities). Even the extent of electoral support for the nationalist parties/armies with whom international mediators chose to negotiate Bosnian fate was never tested by a second election.

In brief, the Bosnian Croat and Bosnian Serb political parties/armies preferred a change in borders that would allow them to live in the new, post-Yugoslav states that were their homelands, Croatia and Serbia. These governments supported their cause militarily and, some argue, were themselves driving the war, with the goal of creating a Greater Croatia and a Greater Serbia. But many Bosnian Croats and Serbs, such as central Bosnian Croats or Sarajevo Serbs, did not live in areas contiguous to Croatia or Serbia and, for historical and cultural reasons as well, they preferred, together with a large urban professional class, an independent but pluralistic, multiethnic or non-ethnic Bosnia-Herzegovina within its Yugoslav federal borders.

The second option for Bosnian Croats and Bosnian Serbs was an independent, but ethnically cantonized and decentralized Bosnia. As numerical minorities – in the 1991 census,<sup>5</sup> Bosnian Croats were around 17 per cent and Bosnian Serbs around 34 per cent – they both claimed a fear of subordination to a centralized Muslim state. Their common war strategy was to gain bargaining leverage in future negotiations about the state and in any future referendum or election by securing military and political control over territory that they claimed, largely through population displacement (whether forced migration or anticipatory flight). Although used successfully also by the Croatian government in 1991 and 1995, the label of 'ethnic cleansing' is indelibly associated with the Bosnian War, and especially with Bosnian Serbs.

The third warring party, the Bosnian Muslims (after August 1993, Bosniacs<sup>6</sup>), was also a minority within Bosnia – 44 per cent in 1991 – and, in addition, had no homeland state in Yugoslavia. An independent Bosnia was considered necessary to their survival as a nation, but also justified historically. The war was not a civil war, but a case of territorial aggression from neighbours; but their pre-war parliamentary alliance with Bosnian Croats made it necessary to downplay Croatian claims to Bosnian territory and to focus international attention entirely on Serbian aggression. Although one proportion of Bosnian Muslims, just like the Croats and Serbs, preferred a secular identity as political liberals or social democrats and an independent Bosnia in its pre-war borders but under a pluralistic, civic constitution, the leadership's strategy to gain international support by calling on international obligations to prevent territorial aggression and genocide consisted in ethno-national appeals.

International involvement in the Bosnian War was extensive, from the decisions on early recognition, which provoked war in 1992, to a massive humanitarian intervention protected by the largest ever United Nations troop deployment at the time, continuous EU- and UN-led negotiations among the three ethno-national parties (excluding unarmed parties and groups), increasing NATO involvement such as in the form of a sea blockade, no-fly zone, bombing against Serbs to protect safe areas in Muslim-held territory, a US covert violation of the arms embargo, overt arrangement, with Germany, of a Bosniac-Croatian political-military alliance against the Serbs (the Washington Agreement of March 1994) that included a Bosniac-Croat federation, and, in November 1995, negotiations of a peace accord and post-war constitution at Dayton, Ohio.

The American solution was to require Bosnian Serbs and Bosnian Croats to accept an independent Bosnia-Herzegovina within its pre-war federal borders, thus reconfirming EU and US decisions from September 1991 to April 1992, but within a highly decentralized, federal, power-sharing ('consociational') constitution that recognized the right of national self-determination of the three armed parties in a two-entity state acknowledging wartime political structures – a Serb Republic (RS) and the 1994 Bosniac-Croat Federation (FBiH) joining the Croats' Herzeg-Bosna and the Bosnian government in Sarajevo. The negotiators compensated the Croats by subdividing the Federation into ten cantons (four Bosnian Croat, four Bosniac, and two mixed) and used a 49–51 formula and a complex, computerized program to draw an 'inter-entity boundary line'.<sup>7</sup> A 60,000, NATO-led Implementation Force (IFOR) replaced the wartime UN Protection Force (UNPROFOR) and a committee of more than 60 interested states and international organizations, a Peace Implementation Council (PIC), was established to oversee implementation, including authorization and deputation of an international administration set up in Sarajevo: the Office of the High Representative (OHR), which has ruled Bosnia over the subsequent 15 years as a *de facto* protectorate.

### 6.3 Post-war inequality

Social and economic indicators for the first decade of post-war Bosnia-Herzegovina (1996–2006) display 'paradoxical results', writes Christine McNab, United Nations Development Programme (UNDP) Resident Representative in Sarajevo, in her foreword to its *National Human Development Report 2007* (UNDP (NHDR) 2007b: 9). On the one hand,

they measure 'ongoing improvement' in education and health and in reasonable economic growth, averaging 4.8 per cent annually from 2000 to 2007 (UNDP (EWSR) 2006: 71).<sup>8</sup> By 2006, the country crossed the threshold of 0.800 to the highest global rank on the human development index (HDI), rising steadily from 0.718 in 2000 to 0.802 in 2006 and from 99th of 166 to 62nd of 177 (UNDP (BiH) 2002; IMF (PRSP) 2004; UNDP 2007c). On the other hand, this HDI score is higher than the country's GDP would predict, because two of the three components (life expectancy and education) are due to socialist-era policies, and these scores will fall unless post-war policy changes (UNDP 2007b). The HDI and access to social rights also vary substantially across regions in the country (UNDP (BiH) 2002; UNDP (NHDR) 2005). Per capita income in 2000 was 65 per cent lower, and in 2005 60 per cent lower, than in 1990, even after a decade of deindustrialization, recession, and high unemployment (UNDP 2007c; UNDP (NHDR) 2005). Inequalities in income, education, employment, and health have grown continuously since the war.

Although such references to growing inequality since the end of the socialist period in 1990, and even to greater inequality since the end of the war in 1995, are so widespread as to amount to conventional wisdom, data are very difficult to find or to trust, and for three reasons. First, there has been no post-war population census (and the pre-war baseline, the 1991 census, is highly contested). Second, no official data include the 'grey' (informal) economy, which the most reliable sources estimate at 25 to 30 per cent of GDP. Third, there is a lingering political taboo from the socialist period, justified for some by the war itself, against research and data on ethnic relations, for fear that evidence might provoke conflict. This Yugoslav-era sensitivity was greatest in Bosnia, but the hefty political reaction against the UNDP for publishing socio-economic data by ethno-national groups, followed by the decision of UNDP staff not to repeat such analysis in subsequent years,<sup>9</sup> suggests the sensitivity continues. By contrast, data on income, employment, and welfare measures are regularly provided by age, gender, and the governmental unit responsible for collecting the particular numbers, which suggests that such group differences are expected and acceptable.

The UNDP's National Human Development Report (NHDR) for 2007, however, focused directly on social inclusion. In three separate indexes that it developed, it found 50.32 per cent of the Bosnian population to be 'socially excluded in some way' (p. 9); 22 per cent faced 'extreme' exclusion; and 47 per cent were 'at risk of long-term social exclusion' (p. 11). Although by global standards a poverty level of 19.1 per cent in

World Bank calculation is not high, an additional third of the population, the 'relatively poor', were so close to the margin that they would succumb with any slightest worsening in economic conditions (as began in 2008). Opinion surveys by the UNDP Early Warning Surveys (EWSR), moreover, suggest the numbers are much higher. Only 12.5 per cent of members of the Bosnian population say they can live comfortably on their income, whereas 44 per cent live in 'difficult' or 'very difficult' conditions because of their income (UNDP (NHDR) 2007b). A UNDP effort in 2005 to capture all sources of households' income (including non-cash and informal economy sources) and to measure their ability to purchase a basic consumption basket of 500 Konvertible Marks (KM) monthly found two-thirds of the population (58.7 per cent) living on less; one-third, in fact, had less than 300 KM monthly income; and only five per cent 'reported sufficient income to meet all their needs' (UNDP (EWSR) 2006b: 92).

Despite low inflation and respectable economic growth between 2001 and 2005, moreover, a decline in the average monthly income from 556 KM in 2001 to 466 KM in September 2005 suggests a rise in inequality (UNDP (EWSR) 2006). Equally important as the numbers, as the Bosnian authors remark, is the sense of loss, that 'poverty of this sort was unknown in pre-war BiH' (p. 10). Data from social welfare institutions reinforce this perception, showing a more than three-fold decline from 2002 to 2007 in subventions for rent, heating, and funerals and in humanitarian assistance to the poorest, even though the numbers needing aid were rising at a faster rate (Bosna i Hercegovina 2008).

The greatest cause of socio-economic inequality in Bosnia is unemployment. Although it has been declining from 43 per cent in the first post-war years to 31.1 by 2006 and to 29.0 in 2007 in the official Labour Force Survey, which is based on the approach of the International Labour Organization (ILO) (Labour Force Survey 2008),<sup>10</sup> the size of the 'labour-capable population' classified as 'inactive or discouraged' was very high – in 2006, 57 per cent (UNDP (NHDR) 2007b). Only in 2007 did the proportion of the population registered as employed (29.7 in 2006, 31.2 in 2007) overtake the percentage unemployed.

In ferreting out information about HI, one can detect an important distinction between patterns of economic activity that affect groups differently and direct discrimination. Both are subject to policy, but their causes differ. According to the NHDR on social inclusion/exclusion, individual measures on income, unemployment, and access to social services and to structures of political power and decision-making form a pattern of disadvantage along generational, gender, and, in some

aspects, urban/rural lines, to such an extent that the authors refer to the marginalization of the elderly, children and youth, and most women, regardless of ethnic identity. Young people, children under 15 – households with more than two children are the poorest in Bosnia, with life-long effects on their children – youth aged 15–25, and the elderly (over 65 years, and especially elderly women) are disadvantaged on all criteria, including the dramatic decline in humanitarian assistance and social benefits mentioned earlier.

Women have improved their formal political representation (UN measures of 'gender empowerment') over the post-war years due to internationally imposed quotas, and they still benefit from the pre-war legacy of egalitarian educational and health policies. But the Gender Development Index (GDI) is consistently lower for the entire country, and the inequity is much larger in the Federation than in the RS, with substantial inter-cantonal variation and much weaker empowerment scores (UNDP (NHDR) 2005) (Table 6.1).

The primary component of gender inequality is employment discrimination. Rates of activity and of employment differ significantly between men and women, as do pay rates. For example, in 2000, women's average income in purchasing-power-parity US dollars was \$1,793 as against \$4,135 for men (UNDP (BiH) 2002); in 2003, the contrast was \$3,771 to \$8,958, and in 2004 \$4,744 to \$10,520 (UNDP (NHDR) 2007b). In 2005, the female economic activity rate was 58.3 per cent, as opposed to 86 per cent for men (UNDP 2007c) (Table 6.2).

Table 6.1 Gender inequality: Gender development index

	2000	2001	2002	2003
GDI	0.707	0.731	0.744	0.782
HDI	0.718	0.744	0.784	0.793

Source: UNDP (NHDR) (2007b); HDR (2007/2008).

Table 6.2 Gender inequality: Income

	Average income		Income differentials					
			2003			2004		
	2003	2004	BiH	Federation	RS	BiH	Federation	RS
Women	\$3,771	\$4,744	0.315	0.297	0.352	0.333	0.306	0.361
Men	\$8,958	\$10,520	0.685	0.703	0.648	0.667	0.694	0.639

Source: UNDP 2007: 78; 173.

Table 6.3 Gender inequality: Employment

	Federation						RS					
	Male			Female			Male			Female		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Activity rate	57.2	56.9	56.4	30	28.8	29.4	54.8	59.6	58.7	32.4	35	35.8
Employment	40.3	40.9	43.3	18.8	18.3	21.1	39.6	45.4	48	22.7	25.4	27.2
Unemployment	29.5	28.2	23.1	37.5	36.4	28.3	27.6	23.8	18.2	30	27.5	24.1

Source: Anketa o Radnoj Snazi (2008); Labour Force Survey (2008: 24–25).

The looser definition of activity and employment in the official data looks better overall, but not their differential. Gender inequalities were growing so sharply on all measures, however, that the Bosnian authors of the 2007 UNDP report refer to a 'historically-reversed situation' reflecting a 'return of the patriarchal society, rooted in wartime activities and the explosion of radical nationalism' (p. 23) (Table 6.3).

Explicit discrimination, by contrast, is recorded for three groups: (1) utterly shocking data on the condition of Roma, whose social deprivation and exclusion are extreme on all measured indicators, explode from the pages of the UNDP report (UNDP (NHRD) 2007b), and, while discrimination against Roma was not unknown in pre-war Bosnia, it was carefully limited and, in some republics, even reversed; (2) a post-war phenomenon, disabled persons (including war invalids) and socially stigmatized groups such as those with HIV/AIDS, sexual minorities (gays and lesbians), and current or former drug users; and (3) residential minorities, those who have constitutionally guaranteed equal rights as members of one of the three constituent peoples, but who do not reside in the territory where their group is numerically and politically dominant.

Equally or more consequential in terms of the effects of economic policy is the second type of inequality, 'the growing disparities between and within the two entities' that point not to ethnic difference but to 'a pattern of inequity rooted in other dynamics, including economic and specific locational factors (such as inadequate infrastructure, remoteness, sparsity and lack of natural resource endowments)' (UNDP (NHRD) 2005: 39). Differences between the two entities can be stark, in favour of the Federation, such as the difference in adjusted incomes of 34 per cent (UNDP (NHRD) 2005: 36); of 82 per cent in official employment figures in December 1999, which is 21 per cent higher than the difference (61 per cent) in population (UNDP (BiH) 2002); and in consumption standards (Table 6.4):

The greatest regional differences, however, are to be found in the growing disparity between wealthy western Herzegovina and greater Sarajevo (where international actors concentrate) and the rest of the country (UNDP (NHRD) 2005).<sup>11</sup> Some data according to ethnic groups rather than regions can be found, but these must be treated with some caution. For example (Table 6.5):

According to the World Bank, 'Croats are less likely of all to be at risk of falling into poverty', whereas the risk 'is greatest for the Serb population in the RS' (Kostic 2002: 22). Perceptions of discrimination,



Table 6.4 Regional inequality

	Federation	Serb Republic
Below the LSMS poverty line	15.6%	24.8%
% below 500 KM/mo.	36.0%	72.0%
Self-assessment as poor	21.0%	29.6%
Difficulty covering food needs	9.4%	21.8%
Able to eat but not buy clothing	39.7%	49.1%
Able to buy food, clothing, and 'save a bit'	40.8%	25.9%
Can afford expensive things	9.5%	2.8%
Human Poverty Index (HPI) 2006	12.5%	15.6%
HPI capability-poverty	14.0%	17.8%
HDI 2006	0.819	0.784

Source: 2001 LSMS/2002 EWSR.

Table 6.5 Ethnonational inequality

Average 2001–2005	Croats	Bosniacs	Serbs
Income pc 2001–2005	800 KM	493 KM	429 KM
Median income	716 KM	375 KM	333 KM
Percentage below 500 KM/mo.	36%	n.a.	72%
Report being employed 2004	40%	30%	32%

Source: EWSR (2000–2006: 74).

by contrast, show no pattern over time in the opinion surveys done by the reputable polling firm PRISM for the UNDP EWSR, but if one takes a recent snapshot, in January–March 2006 'levels of concern over discrimination on ethnic or religious grounds' were, quite in contrast to the facts, greatest in Croat areas, where the majority complained most of discrimination (up from 15 per cent to 34 per cent over the previous year), whereas such perceptions were 'stable in Bosniak majority areas' and had 'improved considerably in Serb ones' (UNDP (EWSR) 2006b: 9) – even though Serbs continued to perceive themselves as significantly more

impoverished than the rest of the country (UNDP (NHDR) 2005). The most likely explanation, in fact, is that inequalities were growing within these three communities.

## 6.4 Explanations

Most analysts and most Bosnians explain these data institutionally, as a consequence of the internationally imposed constitutional structure created by the Dayton peace accord (though its goal, ostensibly, was to end ethnic conflict). This governmental structure can only explain some of the post-war economic policy, however. The preferences of international political and economic actors on economic policy are equally important, or more, in explaining the outcomes for inequality and, secondly the limits, domestically – in political identities, values, and collective action – to doing anything about it.

### Political institutions

The Dayton constitution defines political rights ethno-nationally, with members of both entity and state-level assemblies elected to represent their 'constituent nation' proportionally. This principle extends to parity in a power-sharing executive branch composed of a council of ministers, a collective, tripartite presidency, and consensual decision-making rules. Further protection for each is provided in their constitutional right to halt legislation perceived to be against their 'vital national interests'. Although some political parties are not ethnically defined, for instance the social democrats, they are at a distinct disadvantage electorally, because of this ethno-national basis of representation and because wartime and immediate post-war displacements created overwhelmingly homogeneous territories. Local governments are largely single-party dominant (UNDP (NHDR) 2005), despite an electoral system of proportional representation. Any residential minority (whether a Bosniac, Croat, or Serb living outside the area now dominated by their nation or by any of the 17 ethnic minorities recognized in the 2003 legislation and granted cultural rights<sup>12</sup>) has thus no political representation as such.

The ease with which ethnic discrimination can occur, and even be considered constitutional and legitimate at the local level in this system, can explain some inequalities, such as the economic disadvantage of residential minorities in access to jobs and welfare benefits; but ethnic discrimination appears to explain a very small part of post-war

Bosnian inequality, with the appalling exception of Roma. The institutional causes of inequality must be sought in Dayton's distribution of jurisdictional competencies among governmental levels.

The powers of the central state were minimally defined at Dayton with no jurisdiction over taxation, defence, labour, or social policy (including education, health care, and social welfare). International pressure did reunify economic activity in stages, from uniform automobile registration plates (in 1998) to currency (in 2001), which reduced substantial differences in retail prices and gains from speculation among the three areas of wartime administration, and after extreme pressure by the IMF, a central value-added-tax (in 2005). But the central government has few tools for economic policy. It has no control over monetary policy, because negotiators at Dayton imposed a Currency Board with a foreign, IMF-appointed director, initially for seven years but with no end in sight. Tax authority lies with the entities, cantons, and municipalities, limiting central fiscal policy. There is no authority centrally even to set minimum, country-wide standards, such as for the labour market; to harmonize cross-entity and cross-cantonal differences on tax rates, social welfare, or education standards (UNDP (BiH) 2002), or even to address poverty at the country level until after 2001, when the process to design an international financial institution (IFI)-required Poverty Reduction Strategy Paper (PRSP) began (UNDP (BiH) 2002). Under persistent international pressure, a core curriculum for elementary and secondary education was finally introduced in 2004, but schooling remains under local jurisdiction. Thus, under ethno-national control, curricula and schools are segregated (even when children attend parallel classes in the same building).<sup>13</sup>

The level of decentralization is greater in the Federation, where cantons are responsible for education, health care, and social welfare (the latter shared with municipalities), and per capita municipal expenditures vary by a factor of 5 to 1 (UNDP (NHDR) 2005).<sup>14</sup> The RS is more centralized, to positive effect on equality, because standards can be imposed on municipalities and it has a mildly redistributive tax-sharing scheme based on a four-fold developmental criterion (though in practice subject to political manipulation). Greater centralization also creates the conditions for more effective citizen protest, as evidenced by the RS authorities' response in 2003–2005 to pensioners demanding that they be paid their pensions in full (EWSR 2006).<sup>15</sup>

One clear consequence for inequality of the ethnicized aspect of the Dayton constitution is its vulnerability to central stalemate – either

through the use by parliamentarians of the vital interest clause or through the need for tripartite consensus within the presidency – and resulting difficulty in creating country-wide policy. Peter Klincov illustrates this difficulty with the failure to have any policy toward the petroleum industry in the mid-2000s, even though it would be a 'key engine of development for the country as a whole' and it would increase entities' revenues by one-third:

Myopia and the entity governments' desire to control resources rendered unacceptable the idea of pooling manufacturing and distribution capacity under centralised ownership for sale at a decent price to a major international company. Instead, the Bosanski Brod refinery, the most modern in the region, lies idle and the public fill their tanks and send their money abroad. The native oil distributors are disappearing. (EWSR 2006)

Yet ethnic differences have not prevented Bosnian leaders from changing the Dayton constitution under international pressure (primarily from the High Representative), with an increasing transfer of competencies from the entities to the state – such as defence, intelligence, a state border service, and a statistics bureau. The state's difficulty in accessing its portion of the customs revenues collected by the entities (particularly repeated refusal by Croat authorities on the wealthy Herzegovina border) was substantially reduced by an EU fraud and auditing inspectorate and by a UN-created uniform and professional border service after 2000. The EU Commission reports impressive progress on financial sector reform, while legislation and its implementation on external economic relations with countries in the region and with the EU demonstrate a capacity for central economic policy decisions. When stalemate or delay occurs, the High Representative has simply made decisions for them, but the question then becomes, why these decisions and not others?

The extent of decentralization in economic policy was also decided at Dayton by outsiders, not on an ethnic power-sharing model to end the war but to replace the Yugoslav system with a market economy, on the mistaken assumption that the Yugoslav economy, as socialist, had been too centralized. The model of a minimalist state and of extensive decentralization has parallels in many post-conflict countries, independently of any ethnic factor, where the neoliberal economic philosophy of the IFIs and of some bilateral donors (such as the US) held sway. As for social policy, Stubbs (2001) shows that the 'fragmented and

localised, residualised, category-based rather than needs-based, and depoliticised' (p. 101) post-war 'welfare regime', what he calls a 'new feudalism' (p. 100), was a consequence of the ways that humanitarian aid was provided by international NGOs (INGOs) during the war. The Dayton agreement made matters worse by 'not seeing social policy, in any sense, as a priority' and then by creating an institutional contradiction between entity-based rights and the variation in 'size, resources, and revenue-raising abilities' of the cantons and municipalities, which built 'fundamental inequities' into the realization of those rights. By recycling themselves from relief agencies to 'conduits for later development assistance' after the war, these private INGOs then created a 'complete separation between human rights and solidarity-based approaches' (p. 103). They marginalized the pre-war social welfare agencies by recruiting their most innovative staff and denying them resources, leaving them by default 'to become vehicles for social exclusion and discrimination' of local authorities. Most donors, including the World Bank, ignored social policy, but those who did not reinforced the pattern by creating parallel local agencies run by local or international NGOs for those excluded – the minorities, the refugees, and the internally displaced persons (IDPs) (p. 104).

### **Economic policy**

Bosnian economic outcomes, in sum, are not a direct result of the ethnicized and decentralized constitution written at Dayton, and the dominant role of international actors has continued well beyond the peacemaking phase. As a knowledgeable Bosnian official, surprised at my questions, replied: 'but we have no economic policy'. An easy second explanation of post-war inequality, therefore, is that choices on economic policy have been made by outsiders, not by Bosnians. Distributional effects have been largely indirect, through monetary and trade policy, but the more direct effects of fiscal and social policy, too, have been driven by outsiders' resources and choices.

Post-war macroeconomic policy governed by a Currency Board and IMF programs has, predictably, been consistently restrictive with 'jobless growth', the primary cause of inequality since the war, and with such impressive price stability, low budget deficits, and public debt-to-exports ratios that, by the end of 2005, Bosnia had met the formal convergence criteria for European Monetary Union (EMU), even though the EU would not yet sign an association agreement with Bosnia on political grounds (for instance, internal disputes over an EU requirement of centralized police reform). As the UNDP (NHDR) 2007b authors

conclude: 'We believe the current policy framework remains too targeted on stability at the expense of expansion and, moreover, tends to neglect growing inequities' (p. 87).

In theory, Bosnia was in much better straits on fiscal policy than most post-conflict countries, because the normally harsh limits on public expenditures required by the IMF to settle the country's debt arrears so that it be eligible to borrow from the IMF, World Bank, and capital markets – a framework that bilateral donors always accept for their aid as well, but that is widely criticized in the literature on post-conflict peacebuilding – were not imposed, because the Netherlands assumed responsibility for Bosnia's debts temporarily. This advantage was sharply limited by the Dayton constitution's denial of fiscal authority to the central government and by the lack of fiscal harmonization among the cantons and entities. Yet the state was the beneficiary of massive external assistance, beginning with a five-year \$5.5 billion Priority Recovery and Reconstruction Program (PRRP) designed by the World Bank while the war was still raging and pledged at subsequent donor conferences beginning in January 2006. The greater problem of fiscal policy was that the Bosnian government had no role in setting its priorities or the additional projects of the many bilateral donors.

The government was not even allowed a representative in the sectoral task forces established within the OHR in 1996 under US initiative to coordinate the aid rushing in. The PRRP took a traditional World-Bank approach to development, emphasizing large infrastructural projects, which have relatively long gestation periods and are capital-intensive, not employment-generating. The same can be said for EU assistance (focusing, for example, on telecommunications and inter-European transportation networks). US assistance was also large but devoted primarily to the creation of a commercial banking system and to related aspects of financial reform; this priority was said to be aimed at the development of small and medium enterprises, yet it did not have that effect, as local access to credit remained the most serious obstacle to domestic investment, even 15 years later. The World Bank assistance also aimed, as did the US, at dismantling the socialist institutions and creating market-friendly reforms alongside the Currency Board – the Washington consensus of macroeconomic stability, liberalization, and privatization. The contentious history of this foreign pressure for privatization is too complex to detail here, but the extent of the delays and the levels of corruption (including of the OHR) did little to help raise productive domestic investment until more than a decade after the war (and then, with far greater success in the RS than the Federation).

This economic philosophy of IFI and major-donor aid thus defined Bosnian development policy: standard emphasis on incentives to foreign direct investment and globally competitive, export-oriented production. The result was an 'open economy' – Bosnian total trade was 95 per cent of GDP by 2007, up from 87 per cent in 2006 (Commission of European Communities 2008: 32) – but the primary economic problem for Bosnia, according to all World Bank, EU, and UNDP documents, has been a persistent trade deficit (at 35 per cent of GDP in 2006 and 37 per cent in 2007: Commission of European Communities 2008: 25; Didik and Gligorov 2007)<sup>16</sup> and thus continuing pressure for further liberalization. As Klincov writes in 2006, the 'authorities have done little to alter the economic environment and promote development or employment' (EWSR 2006: 12).

When the PRRP drew to a close in 2000, international authorities in the PIC and OHR renewed pressure on the Bosnian authorities to do the economic reforms that they said had not been made so as to replace the evaporating aid, and the IFIs instructed the government to begin preparation of a PRSP to get additional IFI financing. At the same time, the Brussels-directed Stability Pact, an international coalition led by the US, EU, and Contact Group countries after the NATO bombing of Serbia in March–June 1999, introduced a range of regional policies aimed at reconciliation among the Yugoslav successor states, including first bilateral trade agreements and then in 2003 a regional trade pact.

Preparation of the Bosnian PRSP began in April 2002 was completed in March 2004 and updated in 2007, and was the product of a vast consultative process in the country that led Bosnians to believe that finally they had taken lead on economic policy.<sup>17</sup> It differs little, however, from PRSPs in other countries. Officially named the Mid-Term Development Strategy (MTDS), it had as its primary goal to 'restore a partial creditworthiness on the international capital markets, establish functioning market economy and strengthen the capacity of domestic companies to compete in external markets, particularly the EU market', by the end of 2007 (IMF (PRSP) 2004: 10). The second goal was to reduce poverty, but through structural reforms that would 'in the short term [...] cause job losses, and consequently an increase in poverty' while reducing unemployment benefits substantially (IMF (PRSP) 2004: 12–19). The third goal was to 'accelerate EU integration' (IMF (PRSP) 2004: 12–19).<sup>18</sup> These three goals required the following priorities: a consensus on reform, macroeconomic stability, fiscal system reform (further decentralization!), 'faster growth of the export-oriented private sector', public administration reform, reductions in the public debt and

in public expenditures (on education, health, social transfers, defence, and police), judicial reform aimed at faster resolution of economic disputes and greater protection of creditors and of private property rights, increasing enterprise competitiveness by cutting taxes, liberalizing labour markets, continuing privatization, reorganizing the 'system of protection' (health insurance, unemployment benefits), sectoral reforms in education and agriculture, liberalization of the electric power market and of posts and telecommunications, a Stabilization and Association Agreement (SAA) with the EU, and full membership in the World Trade Organization (WTO). No change in these three goals occurred in the 2007 update, although a new emphasis, among external actors (especially the OHR, US, EU, and World Bank), on the fiscal burden of the Dayton constitutional structure could be detected in the strategy's new emphasis on cutting public employment.

The effect of this development strategy as trade policy on the Bosnian private sector, according to a survey of the 150 top Bosnian businesses in April–August 2005, when growth was rising, and before the deep recession of 2008–2009, was not encouraging. No more than 19 per cent (11 per cent in the RS in April, 19 per cent in the Federation in May, and 14 per cent in both entities in August) said that implementation of the economic reforms 'had helped their company's operations'; the other 81 per cent said they did not know or had been harmed. In the same survey of these companies on the influence of the free trade agreements, no more than 42 per cent in the RS in June 2004, but down to 15 per cent in the Federation and 25.5 per cent in the RS in August 2005 said they had been helped. Data on the impact of trade liberalization on the trade deficit, which were reported in the Third Semi-Annual Report on the PRSP/MTDS in October 2005, were also negative.

Export-oriented investment policy also explains the pattern of inequality in Bosnia, namely the growing disparities between western Herzegovina and wider Sarajevo, on the one hand, and the rest of the country, on the other, as well as the income advantage of Bosnian Croats against Bosniacs and Serbs.<sup>19</sup> The majority of the major trading companies are based in the Croat areas, in western Herzegovina, because of its border with Croatia and with good trade routes to the west. Bosniac areas, as the wartime Bosniac leader, Alija Izetbegovic, emphasized in all political negotiations, are land-locked. Sarajevo-based firms were among the most successful trade and export firms in all of former Yugoslavia, through their cultural links and entrepreneurship in the Middle East; but those firms have been the unmitigated target of external demands for their privatization, which was preceded by their

break-up into separate companies for the sale (they were large conglomerates) and by the resulting delays in post-war revival. Although the Serb Republic has an external border just like the Croat areas of the Federation, few international routes cross it; where trade had flourished before the war, neighbouring Croatia blocked all crossings and trade for more than five years after Dayton. The other neighbour, Serbia, was not a source of trade-based revenues because it was under sanctions for almost a decade (as were the Serb areas in Bosnia) and remained under some until 2009 and because it was still recovering from the massive NATO bombing in 1999 and from continuing political obstacles to economic relations with the EU.

In terms of production profiles, most of pre-war RS had always been poor, agricultural, and exporters of natural resources (hydroelectric power, timber), not of value-added industry. It had long been a region of emigration (primarily to Serbia). Overall, economic activity in the Federation produces more value-added goods: in 2006, production increased mostly in 'electrical machines, devices, and apparatus, followed by metal ore extraction, and thirdly recycling', whereas in the RS the three leading sectors in 2006 were 'other ore extraction and quarrying, coal mining, and base metals' (EWSR 2006: 20). While these regional profiles are sufficient to explain the distinct difference in poverty rates between the RS and the Federation, the low level of processing industries constrains all of the country; as Klincov writes, 'the leading exporters [ten large companies continue to dominate the export market] are offering raw materials or semi-finished goods. We are exporting what nature has given us: electricity, ores, and wood' (UNDP (EWSR) 2006: 12, 22).

Nonetheless, as the NHDR on social inclusion urges, there should be some room for reducing inequality through labour market and social policies. Unfortunately, the institutional obstacles to a 'countrywide strategy for employment' and labour market policy reinforce the limits on social policy of the economic policy of liberalization. Social welfare budgets, especially for pensions and unemployment insurance, are paid by taxes on wages and employers; the lower the employment rate, the lower the revenue. Whereas the ratio of pensioners to employees in 1991, the year before the war began, was 1:3, by the end of the war in 1995, it was 1:1.3 and by 2003, it was 1:1.4. In the RS, where pensions are a third lower than those paid in the Federation, there are even more pensioners than insured employees (a ratio in 2003 of 1.08:1) (IMF (PRSP) 2004). Yet the primary explanation provided in the PRSP and the EU Commission reports for insufficient employment growth is

the 'structural rigidities' of the tax on wages and employers. To increase jobs, enterprise and wage taxes must be cut. While EU Commission reports of Bosnian progress on an association agreement repeatedly note 'little progress in the area of economic and social rights' (e.g. Commission of the European Communities 2008: 19), the resource constraint is clear. Local spending in total is a mere 8 per cent of total public spending, barely 5 per cent of GDP in either entity (UNDP (NHDR) 2005). According to the MTDS in 2004, the country 'spends less on social welfare than any other country in the region',<sup>20</sup> and the 'system of social protection in both entities of BiH is in grave difficulty' (IMF (PRSP) 2004: 152).

Here, too, external assistance has had different priorities. Beginning in 1998, all fungible monies and new programs were directed, through the OHR's Reconstruction and Return Task Force, to the international goal of returning refugees and the internally displaced to their pre-war homes, on the assumption that restoration of the pre-war settlement pattern would eliminate the ethno-national politics and policies of post-war Bosnia. In fact such aid increased wartime segregation, because only communities from which people had fled or been expelled received aid, and because the simultaneous aim of international actors to create a real estate market with a property claims commission enabled those who were mobile to return, but only to claim and then sell their property and move back to an area where they were in the majority or to another country. Those without such property, the rural farmsteads (predominantly elderly, illiterate women) and the propertyless, could not benefit, and they suffer, as residential minorities, from systematic discrimination in access to jobs, welfare, and political power (as discussed above).

### Political action

The result of international decisions on the institutional structure of politics and policy-making and on economic policy for the first 15 years of post-war Bosnia has been to create conditions strikingly similar to pre-war Yugoslavia. The extent of decentralization, of republican authority over economic policy, and of consensual, power-sharing decision-rules limited central authority so much and led to stalemate so frequently that constitutional reform was seen to be essential (particularly by the IMF) if economic reforms to address the persistent trade deficits and foreign debt were to succeed. Monetary, trade, and development policy prioritizing financial stability and exports favoured those areas of the country where export industries and trade and communication links were most developed and were closest to western markets, and did little

or nothing to alter those initial endowments in the economic profile of a region after the defence-oriented industrialization drive of 1948–1949. Ever rising regional inequality under these conditions did not lead to efforts to meliorate those differences but instead, as discussed above, to a tax revolt by the richer (export-earning) republics against the federal budget for defence and development aid to the south, to ever greater resistance to those striving for more effective central policy, and to increasing polarization over economic strategy and philosophy. The ethno-national identities of the republics became the means by which the constitutional conflict led to the multiple wars of ‘national’ independence and to the country’s break up. Could the same pattern of regional inequality, youth unemployment, and economic discrimination against minorities provoke a similar fate for independent Bosnia-Herzegovina?

While Bosnian economists are also polarized over economic philosophy and policy, and while the pressure from external actors and some Bosnian parties for constitutional reform, to strengthen central powers and resources, has repeatedly led to system-threatening crisis (most seriously in 2006–2009), it is highly unlikely that political conflict over inequality will influence the outcome. At the same time, paradoxically, patterns of political participation and post-war political identities and values are additional obstacles to addressing those inequalities.

First, the pattern of regional inequality does not reinforce the lines of ethno-national conflict over constitutional questions. The partial exception – that Croat areas and households are wealthier than others – has declined over time, with increasing inequality among Croat households and among Croat cantons. While the wealth and power of Sarajevo, which provoked much pre-war and wartime conflict in Bosnia, has only increased, the declining differences between most Bosniacs and most Serbs do not reduce their constitutional conflict.

Second, post-war politics has been instead a process of increasing social closure exercised by the three ethno-national groups, each one of which achieves, by social inclusion in ethnic enclaves and by parallel discrimination against minorities, to ‘exclude people from other ethnic backgrounds’ (Kostic 2007; UNDP (NHDR) 2007b). As studies in pre-war Croatia discovered, the more ethnically homogeneous the community, the lower the level of tolerance in general (and vice versa) (Massey et al. 1999). This social closure extends to voting patterns, particularly at the local level. A contentious constitutional court ruling in 2000, which required the three constituent peoples to have electoral representation throughout the country, not only in their entity, has not

influenced the level of governmental jurisdiction over social welfare and employment policy – namely the municipalities, which, as mentioned above, are overwhelmingly single-party systems.

Social closure extends far deeper than the ethno-national group, however. People socialize with families and close friends, and expect others to ‘look only to themselves’, not to want to help others (3.4 on a scale of 1 to 10, measuring trust in people’s fairness in a 2006 study), and to try to take advantage of them, if they could (3.9 on a scale of 1 to 10). The result, according to public opinion surveys, is a striking ‘lack of concern over social inclusion and solidarity’ (UNDP (NDHR) 2007b: 52 and 203). Aside from voting, Bosnians are not politically active. Only 8.3 per cent in a random survey, made by PRISM, of Bosnians aged 15 or older were members of political organizations, and only 9.3 per cent belonged to non-governmental organizations, cultural associations, or sports clubs. More than 90 per cent (90.7) had never participated in any meetings organized by a political organization (p. 52 and Annex 4). While the NGO sector is relatively large because of donor priorities and financial assistance, civil society organizations operate at the local level, being focused primarily on delivering social services, and have little or no influence on policy. Analyses of their political activities find them limited to criticism of existing policy rather than going for positive advocacy or mobilizing public support and action for change.

While the historical reversal (UNDP (NHDR) 2007b) to patriarchal values, shown in the data on social and economic discrimination against women, can be explained by the shift from socialist to ethno-religious political parties, the remarkably conservative opinions on the role of political action to effect change among the younger generation, according to a survey of values in 2006, may also be a result of war. Although only a snapshot of opinions, the results are worth citing at length:

61 per cent of young people consider that ‘what matters most for the success of a group is to find an energetic, austere and just leader whom everybody would respect and listen to’. Almost the same percentage is of the opinion that young people, when they come of age, ‘need to avoid rebellious ideas and should calm down’. Furthermore, 32.8 per cent of young people consider that when resolving important social problems ‘one should keep quiet and wait to see what others think of it’, while another 22.3 per cent are ‘indecisive’. In addition, over 40 per cent of young people consider that ‘one should return to traditional customs and lifestyle, and that one should not be engaged in resolving the complex issues of life’. Almost

the same percentage of interviewees does not want to accept the duties that would oblige them to 'deal with important social issues'. Almost 50 per cent of interviewees, including the indecisive ones, consider that 'those who let things go are much happier'. (UNDP (NHDR) 2005: 52)

Instead of organizing in order to change their circumstances, most Bosnians, regardless of ethnic difference, want to leave the country (consistently 45–50 per cent of the surveyed population) (EWSR.2006). More than 60 per cent of all youth 'do not see their future' in Bosnia (p. 23). This number was also rising: in the EWR survey of the first quarter of 2006, 71.3 per cent of Bosnians aged 18 to 35 'would leave BiH if they could' (UNDP (EWSR) 2006: 31, 56). One would expect to find this wish to emigrate mostly among those who face discrimination as residential minorities; in fact they are the least inclined, most likely because of a realistic assessment by Roma, elderly rural women, and similar minorities of their opportunities elsewhere.

Finally, the identities according to which people do organize to protest or change governmental policy on inequality have been, as Stubbs argues, deeply shaped by an aid regime that was highly localized, 'project based and focused on client groups: children; people with disabilities; older people', not proceeding on general social rights and 'the broader functioning of the system'. Pensioners in the RS, the women of Srebrenica protesting the diversion of aid funds in Tuzla canton, or veterans protesting the World Bank demand that subsidies and pensions to them be cut are examples, politically influential but limited to public assistance categories and sporadic.<sup>21</sup>

## 6.5 Lessons to be learned for discussion

The interpretation of the Bosnian War as a quintessentially ethnic war and the focus of international assistance on rewarding multiethnic cooperation and reconciliation as the best road to peace have done little to prevent the rise of social, economic, and political inequality in post-war Bosnia. They have created conditions that make it very difficult to address those inequalities and new forms of post-war discrimination. This is a larger lesson from the Bosnian case as well. Power-sharing solutions to civil wars create decision-making rigidities and institutionalize the lines of wartime conflict, regardless of the type of war and its causes. Economic policy that favours financial stability, foreign investors, and export producers results in jobless growth

and regional inequality, which are likely to generate forces for social exclusion – through voluntary ghettoization, through the cultural and economic protection of a local majority against all minorities, and through other forms of discrimination. Insistence on decentralization and cuts in public employment and welfare transfers reinforce this outcome by preventing redistributive and solidaristic policies. If constitutional and policy priorities are set by outsiders because these outsiders have the balance of power and resources in countries emerging from war, it is difficult to see how the conditions for post-war transformation of wartime identities, conflicts, and politics will emerge.

## Notes

1. For the diplomatic reasoning on power-sharing, see Sisk (1996); for a good summary of the theoretical reasoning, called consociational democracy, see Andeweg (2000); the critical literature on its effects in peacebuilding is sizeable.
2. For outsiders to the national question in Yugoslavia, confusion among ethnic, national, and religious categories is understandable. The difference among the three peoples of Bosnia-Herzegovina is in religion and its related cultural practices and identities, but their recognition as 'nations', that is, as peoples with political rights to statehood, originates in the Ottoman *millet* system; it gains a Habsburg gloss under the protectorate (then annexation) of 1878–1914; it becomes constitutionally recognized in the Yugoslav federal system after 1945; and it defines the claims for independence that broke up Yugoslavia in 1991, except for Bosnia, which retains the Yugoslav system in its post-war, 'Dayton' constitution.
3. During 1990, as a result of the ongoing constitutional reform that was gradually ending the socialist regime both politically and economically, multiparty elections were held in each republic. In Bosnia, in November, ethno-nationally organized political parties won against civic parties (liberals and social democrats primarily).
4. The European Union changed its name from the European Community at the end of 1991.
5. This census was, and remains, highly disputed, but few dispute the relative proportions.
6. Bosnian Muslim representatives elected in 1990 to the Bosnian parliament decided, in a separate assembly in August 1993, to rename themselves Bosniacs. Reflecting internal debates with a long history, the choice in 1993 was aimed at international support, calculating (probably correctly) that they would benefit by a designation that connoted nation more than religion and western, not eastern, provenance. The resulting elision among external audiences between Bosniac and Bosnian probably also helped, despite the erasure of more than half the Bosnian population from view.
7. The peace agreement did permit small post-Dayton adjustments among villages, mediated by the international military deployment.



8. GDP growth in 1997, due to international reconstruction aid, was 36.6 per cent, but it fell to 9.9 per cent in 1998 (personal communication from S. Mitra, World Bank), and over the 3 years 1998–2001 was only 16.5 per cent (UNDP (BiH) 2002); annual rates vary in 2000–2007, e.g. 3.5 per cent in 2005, 6.7 per cent in 2006, 6.8 per cent in 2007 (Commission of European Communities 2008), but the global recession brought negative growth beginning in 2008.
9. Roland Kostic, personal communication, Stockholm, January 2009.
10. The rate of unemployment depends on one's source. An external Living Standards Measurement Study (LSMS) survey led by the World Bank and reported in May 2002 set unemployment at 16.1; the official rate in 2001 was 28.1 per cent; UNDP provides a table in its Human Development Report for 2007/2008 of the different ways of calculating it, which vary in 2006 from 22.2 to 43.6 per cent (UNDP 2007c).
11. The best measure of increasing regional inequality, researchers from the Sarajevo Economics Institute find, is the variation in value-added-tax revenues by canton and entity; but these remain in-house data (UNDP (NHDR) 2005: note 19, p. 31).
12. Law on the Protection of Rights of Ethnic Minorities (Official Gazette of BiH, No. 12/03). It establishes advisory councils for ethnic minorities for legislative bodies, foresees representation in judicial and executive bodies, and electoral rights at the local level (through an amendment to the election law of 26 April 2004) (UNDP (NHDR) 2007b: 67).
13. See UNDP (NHDR) (2005: 80) for a brief, useful summary on the relation between inequality and education.
14. The UNDP (NHDR) 2005 provides data and legislated rules on the variation in tax-sharing rules between canton and municipality in the Federation.
15. According to the EWSR research team, however, the protests' success is due as much to the 'institutional capacity' of fiscal authorities, which make the RS government more able to collect revenues and reallocate budgetary funds than the Federation (EWSR 2006).
16. The current account deficit as percentage of GDP was 47.8 per cent in 1996, 43.3 per cent in 1997, 31.6 per cent in 1998, 24.3 per cent in 1999, and 24.1 per cent in 2000 (personal communication from Vladimir Gligorov). According to Didik and Gligorov (2007), it grew from 8 per cent to 22 per cent, and the external debt from 57 per cent to 60.5 per cent, during 2000–2005; but see their discussion of serious problems with the official data.
17. For details, see the initial paragraphs, pp. 3–4, of the report on the IMF website.
18. The benefit of EU accession in the short run is actually the large fiscal effect expected from EU structural funds that accompany an association process, though these funds would be targeted at the cantonal level.
19. Anecdotal, however, the boom in western Herzegovina in the first years of the century was due to Bosniac entrepreneurs from the Sandjak area of southern Serbia attracted to its locational advantages, so that one cannot assume that local Croats are direct beneficiaries.
20. The percentage of GDP spent on social and child protection (though not including war veterans, who receive preferential treatment throughout the country in social benefits, and the disabled), was 1.1 per cent in the RS and

- 0.7 per cent in the Federation; by comparison, Slovenia was 1.1, Bulgaria 1.4, Macedonia 1.6, Croatia 1.9, Latvia 2.4, and Estonia 2.1 (IMF (PRSP) 2004: 144).
21. Social spending in 2004 was around 5 per cent of GDP, of which 66 per cent (49 per cent in the Federation and 17 per cent in the RS) went to disabled war veterans (UNDP (NHDR) 2007b: 125).