U.S. Development Assistance, Democratization and State-Building in Bosnia and Herzegovina

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Abstract
This article investigates the U.S. development assistance role in democratization, state-building and sustainable growth in Bosnia and Herzegovina. The OECD and the United States Agency for International Development (USAID) reports and selected projects (2015-2022) were used to examine and analyze the U.S. development assistance in the democratization process and state-building. The statistical data on the U.S. aid allocation and projects comes largely from the OECD's annual publications and USAID reports. Because of different periods, approaches and priorities, this paper placed the U.S. development assistance in the historical context. The analysis of different democratization and state-building projects indicated the extent to which the programs implemented have generated desired progress and development.

Keywords: U.S. Development Assistance; Bosnia and Herzegovina, Democratization, State-Building

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DOI: https://doi.org/10.21834/e-bpj.v9iSI%2020.5877

1.0 Introduction

1.1. Background of the Study
Despite various reforms and international support, the economies of the Western Balkans have not experienced significant growth. Poor governance, corruption, and inter-state conflicts are among the main factors for low economic growth. The public administration and decision-making processes, particularly in Bosnia and Herzegovina, are also slow. Public administration is governed by confusing and overlapping legal frameworks that regulate their structure and powers. Consequently, an excessively complicated public administration results in an economic decline (Lamba & Koç, 2022). Also, the state has remained weak and unstable, which hinders its development. All of these factors affect the economic progress of Bosnia and Herzegovina, which is among the Balkan countries with the least per-capita income worldwide (European Bank, 2014).
As part of its enlargement efforts, the EU has granted Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia and Serbia the Instrument for Pre-Accession Assistance (IPA), which provides financial and technical assistance for reforms. The IPA funding has given the Western Balkans countries the chance to build their economic capabilities and ease the implementation of specific reforms (Kobak & Dzymaziar, 2022). Several international donor organizations have enacted different approaches to encourage economic growth and tackle social issues. However, these plans have not been enough to achieve the desired outcomes, which have hurt the development process. The primary reason is that the specific requirements of different countries and communities in the region have been ignored. Donor organizations frequently applied standardized approaches to the entirety of the Balkans and did not completely comprehend the particular needs of each country. As a result, the effectiveness of projects was reduced and the desired results were not achieved (Tzifakis, 2013). Furthermore, unstable political and economic conditions in the region made it hard for donor organizations to execute their plans. Projects have been unsuccessful and sustainable development efforts have been hindered as a result of political tensions, corruption, and security concerns (Sandgren, 1999). Moreover, there was also a lack of involvement and ownership from the local community. The international organizations that donated money were in charge of implementing their projects without involving the local experts (Gagnon, 2002).

According to Teleki (2010), US foreign policy in the Balkans was shaped by a global containment strategy to combat the communist ideology. The United States (US) and its NATO (the North Atlantic Treaty Organization) partners provided financial support and military assistance. This helped them to fight against the communist ideology and to strengthen their ties with the West. Thus, the foreign aid provided by the US through USAID and other international agencies was aimed at protecting the national interests of the US (Avey, 2012). Recent studies suggest that US policymakers sought reasons for a strong US foreign policy position towards the Western Balkans (Lai, 2003). According to Krasniqi and Agr (2020), the US substantially increased development aid in the Western Balkans to enhance its relationship with the newly independent nations and build political and economic support against Russia. The US supported leaders who rejected communist ideas because they seemed less threatening to US interests due to the threat of the spread of communism. The primary objective of US aid to the region is to support the integration of the Balkans into Euro-Atlantic organizations. The US has supported various aid programs intended to enhance civil society and free media, combat corruption, and promote the rule of law and human rights in the region. Conley (2021) argues that the US has been successful in promoting development in the region despite a subdued diplomatic presence. The U.S. development assistance objectives in the region have focused on peace, conflict, security, power and principles, government, and civil society. For instance, the U.S. has funded some programs on judicial technical assistance and cross-party connections in Bosnia and Herzegovina and Albania (USAID, 2020).

However, Hindery (2008) claims that U.S. foreign aid continues to fall short in promoting sustainable development, hence the country’s foreign policy should be reviewed. When U.S. foreign policy strengthens its development policies to prioritize development objectives, the assistance may be more effective in addressing the issues that developing countries face such as economic deprivation, poverty, and hunger. The major problem, that motivated this dissertation, is that the US development aid from 2015 to present, particularly democratization and state-building process, has not been researched and promoted.

1.2. Research Objectives
In the past few decades, Bosnia and Herzegovina has made post-conflict progress partially thanks to international assistance. This study explores U.S. development assistance, especially with regard to post-conflict democratization and state-building. In addition, the purpose of this study is to assess the relationship between U.S. development assistance, democratization and state-building. Therefore, this study seeks to address the following research objectives:

1. To determine the U.S. development assistance in Bosnia and Herzegovina.
2. To examine the role of American development assistance in post-conflict democratization and state-building process.
3. To examine the relationship between the U.S. development assistance, state-building and democratization process.

2.0 Case Study: Bosnia And Herzegovina
In this study, the researcher investigates how U.S. foreign development assistance supports regional development in the Western Balkans by using Bosnia and Herzegovina as a single case study. In this study, the researcher adopts the definition of regional development provided by the Organization for Economic Co-operation and Development (OECD), which defines regional development as the general effort to reduce regional disparities by supporting economic activities that are balanced between regions. The definition states that regional development refers to the general efforts to minimize regional inequities by promoting economic activities that are balanced between regions.

This study obtains statistical data from the OECD and USAID because they provide comprehensive information regarding U.S. foreign development assistance in Bosnia and Herzegovina. The objective is to make an inventory of the main projects for democratization and state-building and to analyze them in terms of their effectiveness. Many scholars and policymakers have worked on how to measure development in a particular state. Sen (2001) has developed a model the "capability approach" which is primarily concerned with the opportunities that a person can actualize, enabling one to distinguish between whether a person is capable of doing the things they value, and whether a person has the instruments to pursue what they want to do. This new assessment of development has led to a shift away from assessing development solely in terms of GDP, towards indicators such as the Human Development Index (HDI) and the United Nations Development Program (UNDP).

Bosnia and Herzegovina is situated in the Western Balkans and gained its independence following the breakup of Yugoslavia in 1992. It is the second-largest country in the region, with a population of about 3.6 million, composed of Bosniaks (50 percent), Serbs
(35 percent) and Croats (14 percent), and others. According to the UNDP Human Development Report (2021-2022), Bosnia and Herzegovina is at 76 positions of 191 countries. The current economic insufficiency of Bosnia and Herzegovina is mainly influenced by weak internal capacity, lack of financing and political disagreement, and high corruption (United Nations, 2022). Bosnia and Herzegovina has been suffering from political fragmentation, institutional weaknesses, the absence of the necessary circumstances for economic recovery, and dependence on foreign economic aid (Karić, 2011). Consequently, the young population began migrating to European countries due to political and economic reasons (USAID, 2020).

### 3.0 Qualitative Analysis and Discussion

#### 3.1. The U.S. Aid Allocation

The USAID Congressional budget Justification demonstrates that the U.S. consistently provided development assistance to Bosnia and Herzegovina. Funding spent on development assistance ranged from $1 to $13 million annually. Then, the data shows that approximately $41 million was provided annually between 2015 and 2022. In 2021, the U.S. provided $61 million, which is almost double the amount given in 2015. The OECD did not provide the reason for the increase, but the current political crisis in Bosnia and Herzegovina may probably have predicted the rise in funding (OECD, 2022).

#### 3.2. Democratization Process and State-Building

The U.S. involvement in Bosnia and Herzegovina’s democratic consolidation process has been characterized by effective and inclusive interventions. The U.S. carries out various projects and activities aimed at promoting democratization and good governance. These initiatives focus on supporting political pluralism, strengthening human rights, upholding the rule of law, combating corruption, and empowering civil society. For instance, the democratic consolidation process has been made through the USAID/BiH Civil Society Sustainability Project. This program aims to enhance the capacity of civil society organizations and promote the adoption of democratic values, and encourage societal participation.

<table>
<thead>
<tr>
<th>No</th>
<th>Activity</th>
<th>Publisher</th>
<th>Publication Date</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Judiciary Against Corruption Activity</td>
<td>USAID</td>
<td>2019</td>
<td>Activities to combat corruption within the judiciary</td>
</tr>
<tr>
<td>2</td>
<td>USAID's Justice Activity</td>
<td>USAID</td>
<td>2017</td>
<td>USAID's activities in the field of justice</td>
</tr>
<tr>
<td>3</td>
<td>Democracy Network: Supporting Political Pluralism and Good Governance Processes in Bosnia and Herzegovina</td>
<td>USAID/BiH Civil Society Sustainability Project</td>
<td>2017</td>
<td>Supporting political pluralism and good governance processes in BiH</td>
</tr>
<tr>
<td>4</td>
<td>Anti-Corruption Civic Organizations' Unified Network Follow-On Activity</td>
<td>USAID/BiH Civil Society Sustainability Project</td>
<td>2019</td>
<td>Tracking the unified network of anti-corruption civil society organizations</td>
</tr>
<tr>
<td>5</td>
<td>Democracy Activity</td>
<td>USAID</td>
<td>2016</td>
<td>Democratization</td>
</tr>
<tr>
<td>6</td>
<td>Civil Society Sustainability</td>
<td>USAID</td>
<td>2016</td>
<td>Development of Civil Society</td>
</tr>
</tbody>
</table>

Source: Author’s Compilation

As part of the US Democracy, Human Rights, and Governance, Education Learning, Evaluation and Research Activity, USAID conducted An Anti-corruption Civic Organizations’ Unified Network Follow-on Activity (ACCOUNT). From 2015 to 2019, USAID/BiH conducted a performance evaluation of the ACCOUNT follow-on activity, which aimed to create an enabling environment that would enhance civil society participation and encourage collaboration in anti-corruption initiatives (USAID, 2018). The four-year ACCOUNT activity started its implementation in 2015. The main goal of the activity was to create an atmosphere that strengthens civil society engagement and reforms through cooperation and collaboration in anti-corruption initiatives. This activity aimed to ensure evidence-based research and examine reporting on corruption cases in BiH in five sectors, namely whistle-blower, education, public procurement, public employment and health. The ACCOUNT project increased civil society participation and involvement in anti-corruption legislation is one of the goals of this mission. It also includes sub-objectives such as raising awareness of the problems of anti-corruption, creating a suitable and effective legal support mechanism to safeguard whistle-blowers, and improving the capacity of civil societies for analyzing anti-corruption in specific sectors.

Non-governmental organizations (NGOs) are essential change agents in helping democracy properly. Therefore, as part of the democratization process, The Democracy Network (DemNet) project was implemented by the United States shortly after the war, aimed to enhance the capabilities of regional non-governmental organizations (NGOs) in a post-war and transitional context. The
USAID (2017) presents key findings regarding the project’s achievements, sustainability, capacity-building challenges, and its overall impact on democratization and NGO development in BIH. This activity aimed to produce outcomes in four different areas: (1) stronger and more long-term NGOs that promote citizen’s interests and facilitate their participation in governance; (2) better communication, cooperation, and joint action between NGOs and other sectors; (3) creation of local NGO support structure; and 4) active citizen involvement in the municipal development process.

Table 2: DemNet small grant instruments and amount

<table>
<thead>
<tr>
<th>Grant purpose</th>
<th>Grant type</th>
<th>Dollar amount per grant type</th>
<th>Dollar amount per purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Capacity</strong></td>
<td>Institutional development grant</td>
<td>$735,872</td>
<td></td>
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<tr>
<td></td>
<td>Advanced training grant</td>
<td>$43,105</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial diversity package</td>
<td>$14,856</td>
<td></td>
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<tr>
<td></td>
<td>Planning pack</td>
<td>$8,969</td>
<td>$810,291.00</td>
</tr>
<tr>
<td></td>
<td>Internal governance package</td>
<td>$7,489</td>
<td></td>
</tr>
<tr>
<td><strong>Advocacy</strong></td>
<td>Development activity grant</td>
<td>$259,734</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Micro-grants</td>
<td>$49,289</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Civic action partnership grant</td>
<td>$175,383</td>
<td>$1,474,573</td>
</tr>
<tr>
<td></td>
<td>DemNet I Civic Action Partnership</td>
<td>$248,264</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Civic initiative micro-grant</td>
<td>$72,245</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nova Praksa (New Practice) grant</td>
<td>$659,659</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Support institution grant</td>
<td>$57,429</td>
<td>$120,636</td>
</tr>
<tr>
<td></td>
<td>Sustainability strategy</td>
<td>$63,207</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Telecottages</td>
<td>$681,674</td>
<td>$778,574</td>
</tr>
<tr>
<td></td>
<td>Orphan Support and Advocacy Program</td>
<td>$96,900</td>
<td></td>
</tr>
</tbody>
</table>

Source: USAID, 2019

USAID is a significant factor in promoting economic development and sustainable growth in Bosnia and Herzegovina. Economic development is vital for increasing the country’s prosperity, creating employment opportunities, and improving the overall living standards of the society. USAID is dedicated to promoting and supporting economic development through various projects and programs. Table 3 below presents some examples of USAID’s efforts in economic development in Bosnia and Herzegovina. It focuses on expanding the network of development partners through the Development Grants Program (DGP), fostering interventions for rapid market advancement, supporting the financial reform agenda, and promoting agricultural markets.

Table 3. The U.S. Economic and State-Building Projects

<table>
<thead>
<tr>
<th>No</th>
<th>Document Title</th>
<th>Start Publisher</th>
<th>Publication Date</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FOSTERING AGRICULTURAL MARKETS ACTIVITY II</td>
<td>USAID</td>
<td>2018</td>
<td>To foster the development of agricultural markets in Bosnia and Herzegovina</td>
</tr>
<tr>
<td>2</td>
<td>FINANCIAL REFORM AGENDA ACTIVITY (FINRA) IN BOSNIA AND HERZEGOVINA</td>
<td>USAID</td>
<td>2020</td>
<td>To support the financial reform agenda in Bosnia and Herzegovina</td>
</tr>
<tr>
<td>3</td>
<td>Fostering Interventions for Rapid Market Advancement</td>
<td>USAID</td>
<td>2015</td>
<td>To promote interventions for rapid market advancement</td>
</tr>
<tr>
<td>4</td>
<td>EXPANDING USAID’S NETWORK OF DEVELOPMENT PARTNERS THROUGH DEVELOPMENT GRANTS PROGRAM (DGP)</td>
<td>USAID</td>
<td>2017</td>
<td>To expand USAID’s network of development partners and promote sustainable development</td>
</tr>
</tbody>
</table>

Source: Author’s Compilation

According to the OECD (2022), development assistance is defined as government aid that promotes and specifically targets the economic development and welfare of developing countries (OECD, 2022). Two important sources of development assistance are USAID’s Fostering Agricultural Market Activity (FARMA) and Workforce and Higher Access to Markets Activity (WHAM). The civilian population in Bosnia and Herzegovina suffers from low productivity, both per unit of production and per farm. The fundamental characteristic is a small-scale, subsistence agriculture-oriented agro-food system rather than a more market-oriented agro-food system. This contributes significantly to low competitiveness, especially in the local market. The export restriction on goods of animal
origin to the EU is also one of the largest problems in the country. For a long time, the EU has been requesting the establishment of a control system for animal stock feed and food. To tackle these problems, the FARMA project provided training and technical assistance to subsectors aimed at developing the competitiveness of food and agricultural products by boosting sustainable production and processing and enhancing the production of value-added food products. The project also enabled the private sector to access EU markets, increase export volume, increase farmer incomes, and create more jobs. Success in these areas reduced rural poverty and contributed to inclusive economic growth (USAID, 2017).

FARMA program particularly helps women in rural areas in which unemployment is high. By empowering women and promoting sustainable livelihoods, the program aimed to alleviate the challenges that come with unemployment in rural communities in the country. Promoting gender equality and directly assisting women’s development are important steps toward development. For instance, women reinvest 80% of their income in their communities (OECD). The FARMA worked collaboratively with women and provided them with training and technical assistance. At least 30 percent of FARMA’s beneficiaries were women (USAID, 2018). Agricultural funding decreased from $ 9 million in 2018 to $1 million in 2021, which is roughly nine times less than the amount initially funded. Based on the evaluation report, the project experienced disruption due to access to finance. The current state of politics and outdated equipment also reduced the potential to achieve economic growth in the country. Accompanying these problems is the fact that communication and collaboration between stakeholders and FARMA has often been lacking. For instance, the evaluation report states that there have been a lot of communication issues between stakeholders and implementers that have limited the potential for effective collaboration. These included issues such as a lack of responsiveness and a lack of information about FARMA II among public sector stakeholders. Bosnian people need to understand how they can take part in USAID’s development activities. The FARMA trained farmers to increase competitiveness, create jobs and enhance agricultural techniques. For this project, local producers have to understand the new agricultural techniques (USAID, 2018).

In Bosnia and Herzegovina, The WHAM project is currently in operation. This project is being implemented by the International Executive Service Corps (IESC) to support export-ready, high-growth-potential SMEs to achieve interventions that would increase capacity and remove significant barriers to their competitiveness, promote growth, increase exports, and accelerate integration in the EU markets, and create job creation. WHAM also focused on SMEs by offering workforce development assistance to training centers and other similar organizations in order to accomplish this. The project also planned to establish two centers of excellence for export promotion. These centers would promote high growth potential SMEs to achieve interventions that would increase potential SMEs to achieve interventions that would increase workforce development by working with institutions to help Bosnia and Herzegovina gain the skills necessary for employment in high-growth enterprises. For example, the life-of-Activity sub-recipient was ENOVA and IESC, who provided the Activity with a team of full-time staff members and a range of administrative services. They also provided both a full-time administrative assistant and a business evaluation process to make grant implementation more effective. Communications, ICT, logistical support human resources, and local office management were also provided by these two institutions (USAID, 2021).

Despite the above-illustrated projects for democratization, state-building and economic growth, the effectiveness of USAID and other donor agencies has been criticized. These organizations often follow similarly rigid strategies and this approach leads to low levels of development. The criticism points to the need for such organizations to involve local people more. For example, USAID needs to implement effective communication initiatives to build trust in the community. This could start with a simple step, such as translating training materials into the local dialect to encourage greater community participation in the development process. However, it is important to go beyond these criticisms. Donor agencies need to understand the complexity of the development process and the reason why its pace is not always as expected. It involves many variables such as local factors, cultural differences, economic challenges and political obstacles. Therefore, donor organisations should both increase local participation and adopt flexible strategies. They should not only take simple steps, such as the language of training materials but also develop more effective projects, taking into account local needs and conditions. At the same time, such organizations must constantly review their methods to achieve better results and contribute more to sustainable development.

4.0 CONCLUSION

The main goal of this study was an assessment of the U.S. development assistance in democratization and state-building in Bosnia and Herzegovina. The data obtained shows that even though the U.S. provides the most funds for sustained development, it falls short of other OECD countries in assistance percentage of GNI. In 2021, the Official Development Assistance (ODA) as a percentage of GNI showed that Luxembourg, Turkey, Sweden, and Norway allocate around 1% of their GNI to developing countries. The U.S. allocated 0.18% of its GNI, which is lower than Western countries (OECD, 2022). Because of this, many academicians argue that the U.S. only assists developing countries when in U.S. national interests (McHamon, 2001). Then, some scholars claim that the main goal of U.S. foreign aid is to improve economic capabilities and promote democratic government (Scott & Steele, 2001). However, others argue that U.S. development assistance is less humanitarian and more concerned with U.S. power consideration (which during the bipolar world was composed of particularly eliminating the communist ideas in newly independent countries) (Lancaster, 2007).

Allocated assistance aid and assessed projects indicate that the U.S. turned its attention back to developing countries after the war on terrorism which began in September 2001. Since 2001, the United States has increased its engagement in the Balkans and has undertaken various initiatives to promote development, state-building, and democracy. After many years of conflict and instability, the Balkans have undergone a significant transformation and the United States has been committed to supporting this transformation.
Increased U.S. engagement in the Balkans contributes to maintaining peace and stability in the region and achieving its long-term development goals. These efforts are aimed at helping Balkan countries build a stronger and more stable future.

Future studies can examine the impact of American soft power on the state-building and democratization process in Bosnia and Herzegovina from a quantitative perspective. This type of research requires analysis of numerical data, and through this analysis the results can be generalized. For example, it could measure the public’s perceptions of elements of American soft power through a survey by examining soft power elements. At the same time, quantitative data could be used to measure the effects of American soft power based on numerical data and can more clearly present the effects of the US soft power on the democratization and state-building process.

**Paper Contribution to Related Field of Study**

This paper has articulated the role of development assistance in democratization and state-building processes in Bosnia and Herzegovina and as such could be useful reference for policy-makers. This paper promotes development assistance as very important tool for post-conflict societies on their path to democratization and state-building. In addition, this paper made a thorough review of the OECD and USAID reports, which could be used for future research.

**References**


