

Predicting Risks in Bosnia and Herzegovina

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List of Abbreviations

BiH: Bosnia and Herzegovina

EU: European Union

FBiH: Federation of Bosnia and Herzegovina

IRC: Interreligious Council of Bosnia and Herzegovina

OHR: Office of High Representatives

RS: Republika Srpska

UK: United Kingdom

US: United States

UN: United Nations

UNSC: United Nations Security Council

1. Introduction

Bosnia and Herzegovina, located on the Balkan Peninsula in southeastern Europe, gained its independence as a result of the breakup of the Socialist Federal Republic of Yugoslavia on March 1st 1992. Immediately after obtaining independence, Bosnia faced the rebellions from the Serb populations who were led by the Serb Democratic Party. This resulted in a three-year Bosnian War from 1992 to 1995, which was ended by NATO's intervention and the Dayton Peace Agreement. Bosnia is primarily composed of three ethnic groups: the Bosniaks, the Bosnia Serb, and the Bosnia Croats. It has a population of 3.233 million in total¹, and the country's 2013 census indicated that the country was made up with 50.11% Bosniaks, 15.435% Croats, and 30.78% Serbs², but the results were rejected by the officials in Republika Srpska.³

Bosnia has an extremely complicated political system. The three constituents groups give Bosnia a three-member presidency with a president representing each ethnic group and serving eight months in rotation in their four years mandate. The current presidents are Šefik Džaferović representing Bosniaks, Željko Komšić representing Croats, and Milorad Dodik representing Serbs, but their presidencies are going to end with a general election in October 2022. Below the state level, Bosnia is composed of two cantons, the Federation of Bosnia and Herzegovina and the Republika Srpska. While the Bosniaks and the Bosnia Croats dominate FBiH, the majority of Serbs lives in RS. There is also the Brcko district, a local self-government unit that has its own assembly. Besides the one state and two entities system in Bosnia, there are 10 cantons and 141 municipalities that each has its own government and president. Adding on to this complex political spectrum, there are 148 political parties registered in Bosnia. Furthermore, simplifying this political system or adding amendments to Bosnian constitution requires support from the two-thirds of the government, which is unlikely in this high ethnically and politically divided countries.

However, one way to alter the political system is through the Office of High Representatives, an office formed by the international community. OHR was established after the Bosnian War to monitor the enforcement of the Dayton Peace Agreement and intervene in the countries' decision making.⁴ An High Representative is elected to serve a certain period of time by the international community, including the UN and EU, and has executive power to enforce new laws and remove politicians who are considered as destructive to the political system.

The client for this risk analyze report is the Regional Program on Local Democracy in the Western Balkans 2 (ReLOaD2). ReLOaD2 is funded by the EU and implemented by UNDP in the Western Balkans, including Bosnia and Herzegovina, which aims at encouraging local youths to participate in decision-making process and engage with the local governments from 2021 to 2024.⁵ As it is going to take places in BiH, ReLOaD2 wants to learn the upcoming risks in

¹ "Bosnia And Herzegovina Population 2022 (Demographics, Maps, Graphs)". 2022. *Worldpopulationreview.Com*. <https://worldpopulationreview.com/countries/bosnia-and-herzegovina-population>.

² Agency for Statistics of Bosnia and Herzegovina. 2016. "Census Of Population, Households And Dwellings In Bosnia And Herzegovina, 2013 Final Results". Sarajevo: Agency for Statistics of Bosnia and Herzegovina.

³ Recknagel, Charles. 2016. "Bosnia Erupts In Feuding Over New Census Data". *Radio Free Europe / Radio Liberty*, , 2016. <https://www.rferl.org/a/bosnia-census-results-spark-feuding/27831183.html>.

⁴ "Mandate". 2022. *Office Of The High Representative*. Accessed August 16. <http://www.ohr.int/about-ohr/mandate/>.

⁵ <https://www.undp.org/bosnia-herzegovina/projects/regional-programme-local-democracy-western-balkans-reload>

implementing the project till the end of 2023. Therefore, this paper is going to analyze the political, social, economic, and geopolitical risks that Bosnia faces until the end of 2023 on the scale of very low, low, medium, high and very high. Political risks are going to be discussed with an emphasis on the complex political structure and the nature of the program.

2. Political Risk

Risk Level: very high

2.1 Political polarity

Risk level: very high

The political polarity and tension are very high between Serbs and Bosniaks. This was a leftover historical problem as Serbs revolted in formation of the country. However, it was not resolved properly through the Dayton Peace Agreement, which led to the recent escalation of the problem.

The tension has grown since July 2021 when the former High Representative, Valentin Inzko, decided to invoke his executive power by passing Bosnian first law on prohibiting genocide denial. However, Milorad Dodik, the president representing RS, denied the genocide of Bosnian Muslim by the Bosnian Serb Army in Srebrenica in July 1995⁶, which means that this law contradicted and challenged Dodik's belief. As a result of this contentious law, Dodik claimed to withdraw from Bosnian central institutions and threaten the central government of creating his own Serbian army, which might lead to a separation between the two entities.⁷

This political risk is rated as very high because there is the fear that Bosnia might slide into wars. As RS is forming its own institutions, the state would lose control over this entity, which can lead to the independence of RS from Bosnia. This concern of another civil war in Bosnia not only perturbed Bosnians but also the international community. Enormous protests were held in the beginning of 2022 in 35 cities and 14 countries to spread people's concern over the collapse of the Bosnian government and petition for the international government to act upon the issue.⁸ As a result of the protests, the US government sanctioned Dodik to punish Dodik's destabilizing activities and corruption.⁹ The UK government also sanctioned Dodik and Zeljka Cvijanovic,

⁶ Brezar, Aleksandar. 2021. "Is Bosnia'S Milorad Dodik Using Genocide Denial For Political Ends?". *Euronews.com*. <https://www.euronews.com/my-europe/2021/07/28/is-bosnia-s-milorad-dodik-using-genocide-denial-for-political-ends>.

⁷ Brezar, Aleksandar. 2021. "Bosnia'S Biggest Political Crisis For 26 Years Fuels Anguish And Discontent". *Euronews.com*. <https://www.euronews.com/my-europe/2021/12/17/bosnia-s-biggest-political-crisis-for-26-years-fuels-anguish-and-discontent>.

⁸ Gadzo, Mersiha. 2022. "Protesters Call For Action To Prevent Bosnia Sliding Into War". *Aljazeera.Com*. <https://www.aljazeera.com/news/2022/1/10/protesters-call-for-action-to-prevent-bosnia-sliding-into-war>.

⁹ U.S. Department Of The Treasury. 2022. "Blocking Property And Suspending Entry Into The United States Of Certain Persons Contributing To The Destabilizing Situation In The Western Balkans". <https://home.treasury.gov/news/press-releases/jy0549>.

President of the entity of RS, including travel bans and asset freezes on April 2022.¹⁰ This was also the first UK's sanction regime towards BiH.¹¹

Overall, this political tension between FBiH and RS is a leftover issue in the Dayton Peace Agreement, and it intensifies recently due to the enforcement of the genocide law by the former High Representative. It is still going to be a tremendous issue regardless of the reelection of Dodik till the end of 2023. Therefore, ReLOaD2 needs to take this polarization into consideration when designing the program and try to incorporate both the FBiH and RS in one program.

2.2 Elections

Risk level: very high

The upcoming general election in October 2022 poses a substantial political risk to the country. This is because the previous elections faced a lot of protests. For example, in the 2018 general election, Croats protested against the election of a moderate president, Komšić, as the representatives of the Croats.¹² There were also protests led by Davor Dragicevic, who is a Serb and whose son David passed away. Dragicevic accused Dodik's presidency and the politicians for allegedly covering up the murder upon his son, and he motivated more than 20,000 people to protest with him in 2018.¹³

The 2022 general election might follow the same pattern of protests, and we have already overserved unrest in July 2022. Christian Schmidt, the current High Representatives, claimed that he is going to exercise his executive power by changing Bosnian election laws. He suggested that if any of the Bosnian constituent nations has less than 3 percent of population in any cantons in the Federation entity, they will lose their representatives in the House of Peoples of the Federation parliament.¹⁴ The House of Peoples of the FBiH is an upper house of the Parliament of the FBiH, which composed of 17 delegates from the three constitutive nations and 7 delegates from the minorities group in different cantons in the FBiH. If Schmidt changed the election law, the Bosnian Croat Party, or the HDZ, would benefit as Croats have more members and therefore they can win more seats in the House of People.¹⁵ This announcement of the possible changes in the country's election laws led to massive protests in Sarajevo by Bosniaks. Thousands of people gathered in front of the OHR on July 26th 2022 to protest the decision of Christian Schmidt.¹⁶

¹⁰ UK Government. 2022. "UK Announces Sanctions Under Bosnia And Herzegovina Sanctions Regime: 11 April 2022". <https://www.gov.uk/government/news/uk-announces-sanctions-under-bosnia-and-herzegovina-sanctions-regime-11-april-2021>.

¹¹ Ibid

¹² "Croats Protest Against Election Of Moderate In Bosnia's Presidency". 2018. *Reuters.Com*. <https://www.reuters.com/article/us-bosnia-election-protests-idUSKCN1ML2P9>.

¹³ "Bosnian Elections Overshadowed By Protests Over Alleged Murder Cover-Ups". 2018. *Radiofreeeurope/Radioliberty*. <https://www.rferl.org/a/bosnian-elections-shadowed-protests-over-alleged-murder-coverups-sarajevo-banja-luka-dodik/29528714.html>.

¹⁴ Kurtic, Azem. 2022. "Bosnia'S Bosniaks Claim Election Law Changes Will Help Croats". *Balkan Insight*. <https://balkaninsight.com/2022/07/21/bosnias-bosniaks-claim-election-law-changes-will-help-croats/>.

¹⁵ Ibid

¹⁶ Ozturk, Talha. 2022. "Thousands In Bosnia Protest Possible Changes To Election Law". *Aa.Com.Tr*. <https://www.aa.com.tr/en/world/thousands-in-bosnia-protest-possible-changes-to-election-law/2645796>.

Therefore, this election is disturbing as people already protested and there might be more protests after the general election as citizens might not be satisfied with the result. This means that if ReLOaD2's goal is to establish democracy in the country, ReLOaD2 has to ensure that the citizens and youth are satisfied with the elections and there will not massive protests that disturb the social order and prevent a functioning democratic state.

2.3 Corruption

Risk Level: High

BiH is a country with a high level of corruption. According to the Transparency International, BiH ranked 110th out of 180 in Corruption Perceptions Index and only scored 35 points out of 100 in 2021.¹⁷

2.3.1 *Juridical Proceeding and Corruptions in high ranked official*

The justice system is not fair and transparent in BiH, resulting in a general corruption phenomenon. According to the EU's 2021 report on BiH, there were 51 investigations initiated by the State Investigation Protection Agency (SIPA) into cases of corruption in 2020, but only 13 of them were finalized, and there was only 1 conviction with suspend sentence among all the corruption cases in 2020, indicating that the Bosnian justice system is insufficient in managing corruption.¹⁸ When listing the reasons for the US sanction on Dodik, the Treasury Department also alleged that Dodik "has provided government contracts and monopolies in the RS directly to close business associates".¹⁹

2.3.2 *Legitimacy crisis*

A social survey indicated that the low trust in government is a result of people's perceptions of high levels of governmental corruptions.²⁰ 75% respondents in the same survey asserted that democracy practice should be respected in BiH, and 82% agreed that laws are made to be overly complicated to allow authorities to manipulate citizens, indicating a decline in country's democracy.²¹ This legitimacy crisis is severe as trust is the key element in success of public policies and building positive peace and resilience in society.²² According to the Global Organized Crime Index, BiH scores 3.92 in its resilience and ranks 138th out of 193 countries.

Therefore, the general corruption leads to governmental legitimacy crisis. ReLOaD2 has to be aware that youth might not be willing to participate in the program due to their low trust in the

¹⁷ "Bosnia And Herzegovina". 2022. *Transparency.Org*. <https://www.transparency.org/en/countries/bosnia-and-herzegovina>.

¹⁸ European Commission. 2021. "Bosnia And Herzegovina 2021 Report". 2021 Communication On EU Enlargement Policy. Strasbourg.

¹⁹ U.S. Department Of The Treasury. 2022. "Blocking Property And Suspending Entry Into The United States Of Certain Persons Contributing To The Destabilizing Situation In The Western Balkans". <https://home.treasury.gov/news/press-releases/jy0549>.

²⁰ Halilović, Majda, and Nejra Veljan. 2021. *Exploring Ethno-Nationalist Extremism In Bosnia And Herzegovina*. Sarajevo: Atlantic Initiative, 2021. <https://atlanticinitiative.org/new-publication-exploring-ethno-nationalist-extremism-in-bosnia-and-herzegovina/>.

²¹ Ibid

²² Sagherian-Dickey, Thia M. 2021. "The Importance Of Trust In Achieving Positive Peace". *The Palgrave Handbook Of Positive Peace*, 1-20. doi:10.1007/978-981-15-3877-3_52-1.

government. Meanwhile, engaging the youth in the political system with local governments might not solve the problem of declining democracy because the root causes of the corruption issues lie in the insufficient juridical proceeding and the overly complicated law.

2.4 Shock event: Abolition of OHR and break up of Bosnian political system

As shown in the sessions above, Dodik rejected OHR's decision on the genocide denial law and people protested against OHR's power and its potential discrimination in elections, OHR might face a possibility of being overthrow by Bosnians. It is also likely that OHR might be removed by international community. The international community, which are represented by China and Russia, want to abolish OHR, and a draft resolution was submitted to the UN Security Council to reject the employment of Christian Schmidt as High Representative.²³ However, only 2 countries (China and Russia Federation) voted in favor and 13 countries abstained, which made the UNSC turn down the resolution.²⁴ Nevertheless, this still indicated that the international disagreement within the UNSC can result in the collapse of OHR. This collapse is going to be a shock event till the end of 2023, especially as the tension between the Russia and the western society is high due to the Ukraine War. If OHR is abolished in BiH, ReLOaD2 can faced a legitimacy issue as the OHR is supported by the UN and ReLOaD2 is also implemented by UNDP. Citizens may challenge the UN's authority in the region and the extent of control that the UN exerts in the region.

3. Social Risk

Risk Level: Medium

3.1 Extremism

Risk Level: High

3.1.1 Ethno-nationalists and religions

The Bosnian ethno-nationalists circumstance is strongly related with religions. This is because of a strong correlation between ethnic identities and religious beliefs: most Bosniaks are Muslims, and Serbs primary affiliate with Orthodox, and Croats with the Catholic Church. These religion affiliations lead to social unrests in BiH. Interreligious Council of Bosnia and Herzegovina was established in 1997 to ensure a peaceful interreligious environment. In 2020, IRC have reported 15 cases of vandalism of religious buildings, including breaking the walls of the church, spraying insulting graffiti on the wall of the Saint Anthony Catholic Church, and etc.²⁵ This hatred between religious or ethnical groups is a historical problem, and it will not be lessen through electing new presidents. Therefore, the religious vandalization will be a continuedly challenge for BiH.

²³ United Nations. 2021. "Security Council Turns Down Resolution That Would End Powers Of Bosnia And Herzegovina High Representative". <https://press.un.org/en/2021/sc14585.doc.htm>.

²⁴ *ibid*

²⁵ Interreligious Council of Bosnia and Herzegovina. 2021. "Godišnji Izvještaj Za 2020. Godinu". Sarajevo.

3.1.2 Football Ultras

Football clubs are highly sectarian divided in Bosnia. For example, the two rivalries clubs in Mostar, the FK Velež Mostar and HŠK Zrinjski Mostar, are associated with Bosniaks and Croats respectively. Due to the tensions in rivalries clubs, Bosnian Football Union have to hold closed-door events constantly, and polices always have to present on the street when an football match occur. According to Alberto Testa's research, because of the political and economic issues, like corruption and unemployment, in Bosnia, ultras exist in football and young people join to tackle boredom and obtain power.²⁶

Overall, this extremism can challenge the implementation of ReLOaD2 as the main target of ReLOaD2, the youth, are submerged in the atmosphere of interreligious and intergroup conflicts. This means that the youth can resist in joining the program and cooperate with each other.

3.2 Crimes

Risk Level: high

The risk of crimes remains high in BiH. According to Global Organized Crime Index, BiH scores 5.89 in the criminality score and ranks 49th of 193 countries, among which drug abuses and arm trafficking scores the highest. BiH is an important transit for heroin and cannabis in Europe.²⁷ Bosnia imported chemical opponents of the drugs from EU countries, like Germany, and produced them inside of Bosnia, and Bosnia also transports Cannabis from Albania to Western Europe.²⁸ As Europe Union reported in 2021, there were 2613 cases of reported crimes related to drug abuse.²⁹ Furthermore, Bosnia also has the highest number of legal and illegal firearms in civilian possession due to the war, which makes arms trafficking a significant issue in Bosnia.³⁰ Besides these, organized crimes, like fake bombing warning, threats people's life and causes social panic. Hundreds of Bosnian schools and hospitals were targeted by hoax bomb threats, causing temporally shut down of the institutions in June 2022.³¹ Crimes are also the second most significant security concern as 87% respondents ranked it in a social survey conducted by Atlantic Initiative.³²

Most of the risks, like drug abuse, that are mentioned above are caused by the economic risks which we are going to discuss in the section 4. However, crimes are still concerning in BiH, and it is hard for the ReLOaD2 to motivate the crime dealers in participating the program, which means that ReLOaD2 cannot solve the problem directly and crimes still exists and hinder democracy in BiH.

²⁶ Testa, Alberto. 2022. "Waves Of Extremism: An Applied Ethnographic Analysis Of The Bosnia And Herzegovina Football Terraces". *Frontiers In Sports And Active Living* 4. doi:10.3389/fspor.2022.770441.

²⁷ "Criminality In Bosnia And Herzegovina - The Organized Crime Index". 2022. *Ocindex.Net*. Accessed August 16. https://ocindex.net/country/bosnia_and_herzegovina.

²⁸ *Ibid*

²⁹ European Commission. 2021. "Bosnia And Herzegovina 2021 Report". 2021 Communication On EU Enlargement Policy. Strasbourg.

³⁰ "Criminality In Bosnia And Herzegovina - The Organized Crime Index". 2022. *Ocindex.Net*. Accessed August 16. https://ocindex.net/country/bosnia_and_herzegovina.

³¹ "Bosnian Hospitals And Schools Targeted By Hundreds Of Fake Bomb Threats". 2022. *Euronews.Com*. <https://www.euronews.com/2022/06/02/bosnian-hospitals-and-schools-targeted-by-hundreds-of-fake-bomb-threats>.

³² Halilović, Majda, and Nejra Veljan. 2021. *Exploring Ethno-Nationalist Extremism In Bosnia And Herzegovina*. Sarajevo: Atlantic Initiative, 2021. <https://atlanticinitiative.org/new-publication-exploring-ethno-nationalist-extremism-in-bosnia-and-herzegovina/>.

3.3 Discrimination on the fundamental rights: freedom to vote

Risk Level: Medium

The high amount of discrimination between different groups pose a medium level of risk to BiH. Justice, which should be the key element for building a positive peace in a country after a war,³³ is missing in the Bosnian society, especially reflected on the election process. According to the Women Citizens for Constitutional Reforms, there are more than 400,000 citizens who cannot run for president due to the injustice voting system, which is Serbs living in FBiH cannot run for presidents and likewise Bosniaks and Croats from RS.³⁴

Furthermore, if one is not Bosniak, Serb nor Croat, one cannot run for president at all. This legally discrimination is observed by the citizens, and people have sued the country. In *Sejdić and Finci v. Bosnia and Herzegovina*, the applicants stated that they were not able to run for presidents because they were Roma and Jewish instead of being Bosnian, Serb or Croat.³⁵ They brought the case of this discrimination against minorities to the European Court of Human Rights, and the court ruled in favor of the applicants and demanded Bosnian government to change.³⁶ However, there are not any reforms observed yet. In the aftermath of this negligence of the government, Dervo Sejdic, one of the applicants in the law case above, continued to protest against the government. He was the person who called for the protest on July 26th over the changes in the election laws this year.³⁷ Even though the protest did not result from the *Sejdić and Finci v. Bosnia and Herzegovina* directly, it still showed the dissatisfaction of Sejdic and the public towards the country's fragile political system and racial discrimination.

Overall, discrimination among ethnic groups upon fundamental rights can be a key challenge that ReLOaD2 needs to undertake to ensure democracy in the country. As this discrimination lies in the constitution of the country, ReLOaD2 faces the risk of not being able to resolve this issue and achieve its aims.

4. Economic Risk

Risk Level: High

4.1 Unemployment

Risk Level: High

³³ Mansour, Katerina, and Laura Riches. 2017. *Peace Versus Justice: A False Dichotomy*. Sciences Po Paris School of International Affairs. https://www.sciencespo.fr/psia/sites/sciencespo.fr/psia/files/Peace_versus_Justice-A_False_Dichotomy.pdf.

³⁴ "More Than 400.000 BH Citizens Cannot Candidate For Presidency". 2019. *Women Citizens For Constitutional Reform*. <https://womencitizensforconstitutionalreform.wordpress.com/2019/04/15/more-than-400-000-bh-citizens-cannot-candidate-for-presidency/>.

³⁵ *Sejdić and Finci v. Bosnia and Herzegovina*. 2009, 125. European Court of Human Rights.

³⁶ *Ibid*

³⁷ Ozturk, Talha. 2022. "Thousands In Bosnia Protest Possible Changes To Election Law". *Aa.Com.Tr*. <https://www.aa.com.tr/en/world/thousands-in-bosnia-protest-possible-changes-to-election-law/2645796>.

The unemployment rate is extremely high in Bosnia. According to Trading Economics, even though the unemployment rate is decreasing in Bosnia, it is still around 29.91% in May 2022.³⁸ Among these unemployed workers, youth, who are people from age 18 to 30 neither studying nor working, are facing even higher unemployment rate, and the number reached a 32.87% average in 2021 according to Statista.³⁹

This unemployment issue is primarily attributed to the vocational education and training (VET) school system in Bosnia. VET graduates are unlikely to get a job in the labor market comparing to students who receive pursue a secondary general program due to the insufficient knowledge that VET students gained and the limited teacher capacity in VET.⁴⁰ Most apprenticeship schemes are underdeveloped, which further hindered youth getting employed.⁴¹

Overall, the unemployment, especially the youth unemployment, situation in BiH can hinder ReLOaD2 in recruiting as the young people do not work and do not have a stable income to support themselves in participating in these projects and they would use the spare money to do drugs or commit crimes.

4.2 Inflation

Risk level: High

Inflation remains high, leading to protests and a unstable society. According to Agency for Statistics of Bosnia and Herzegovina, the inflation, or CPI, is 15.8% from June 2021 to June 2022.⁴² This leads to mass protests in major cities in Bosnia, like Sarajevo, Mostar, and Banka Luka. About 2000 citizens out of around a half million Sarajevo population protested in front of the building of the BiH Parliament and the building of BiH Council of Ministers about the rising food prices and requesting for a zero tax rate on food related products on July 6 2022.⁴³ About 200 citizens gathered on the Spanish Square in Mostar on the same date for the same issue.⁴⁴ This protest spread to Banka Luka as well with protestors holding the slogan of "We don't want salaries, we want promises" and satirical banner like "We demand that politicians' salaries be increased immediately by 5,000 KM".⁴⁵

³⁸ "Bosnia And Herzegovina Unemployment Rate - July 2022 Data - 2007-2021 Historical". 2022. *Tradingeconomics.Com*. Accessed August 16. <https://tradingeconomics.com/bosnia-and-herzegovina/unemployment-rate>.

³⁹ "Bosnia And Herzegovina - Youth Unemployment Rate 1999-2021 | Statista". 2022. *Statista*. Accessed August 16. <https://www.statista.com/statistics/811689/youth-unemployment-rate-in-bosnia-and-herzegovina/>.

⁴⁰ European Training Foundation. 2019. "Policies For Human Capital Development Bosnia And Herzegovina An Etf Torino Process Assessment". European Training Foundation. https://www.etf.europa.eu/sites/default/files/2020-02/04_trp_etf_assessment_2019_bosnia_and_herzegovina.pdf.

⁴¹ Ramhorst, Amira. 2022. *Study On Youth Employment In Bosnia And Herzegovina*. 2nd ed. Sarajevo: Regional Cooperation Council.

⁴² "Agency For Statistics Of Bosnia And Herzegovina". 2022. *Bhas.Gov.Ba*. <https://bhas.gov.ba/?lang=en>.

⁴³ "BiH: Protesti Zbog Poskupljenja". 2022. *Glad Amerike*. <https://ba.voanews.com/a/bih-protesti-cijene/6647459.html>.

⁴⁴ Omanovic. 2022. "Protesti U Mostaru: Građani Iskazali Nezadovoljstvo Zbog Vala Poskupljenja U BiH". *Aa.Com.Tr*. <https://www.aa.com.tr/ba/balkan/protesti-u-mostaru-gradani-iskazali-nezadovoljstvo-zbog-vala-poskupljenja-u-bih/2631760>.

⁴⁵ "Počeli Protesti I U Banjaluci: Građani Sarkastično Poručuju "Zahtijevamo Da Se Politicarima Odmah Poveća Plata Za 5.000 KM"". 2022. *Oslobodjenje*. <https://www.oslobodjenje.ba/vijesti/bih/poceli-protesti-i-u-banjaluci-gradani-sarkasticno-porucuju-zahtijevamo-da-se-politicarima-odmah-poveca-plata-za-5-000-km-773844>.

Bosnia has the worst inflation comparing to its neighbor. While according to the Statistical Office of Republic of Serbia, the annual rate of inflation is only 11.9% on June 2022 in Serbia,⁴⁶ inflation in Croatia is also around 12.1% on June 2022 according to Croatian Bureau of Statistics.⁴⁷ Bosnia is the second poorest country in the region with only 33 euro GDP per capita in 2021 according to Eurostat, which means the inflation affects people even more.⁴⁸ Therefore, as inflation is high in BiH, people's protest can disturb the social order, and ReLOaD2 might be forced to stop as young people are fighting for inflation and are only taking care of their financial situations. However, this risk can be lessen at the end of 2023 if the government responses to the inflation appropriately.

4.3 Lack of foreign investment

Risk level: low

Bosnia's lack of foreign investment make its economic less vibrant. The BiH Central Bank data shows that Bosnia has a 1.047 billions KM direct foreign investment in the first nine month of 2021.⁴⁹ According to the World Bank's 2020 Ease of Doing Business Report, BiH ranks 90 out of 190 in global economies, which means that it is somewhat difficult to do business in BiH. These are resulted from the high complexity and lack of transparency in the business set up. The business registration process are not harmonized between FBiH, RS and Brčko District. While RS has a universal policy for the entire entity, the ten cantons in FBiH have diverse policies.⁵⁰ Furthermore, because of corruption and lack of transparency, local businesses have greater advantages comparing to foreign investment.⁵¹ Due to this complexity and corruption on the local level, foreign business are not investing in Bosnia, and therefore slowing down Bosnia's economic. Bosnian government needs to change its regulations and aim for anti-corruption in the coming year to acquire a stable the business environment to foster economic growth. All in all, the lack of foreign investment makes Bosnian economy less vibrant in the long run. However, since ReLOaD2 has around 15.06 million US dollar fund, this risk might not impact the project directly. Nevertheless, if there are more foreign investments, they will contribute to the general wellbeing of the country's economy, and other economic risks can be lessen.

5. Geopolitical Risk

Risk level: low

5.1 Hungary

Risk level: low

⁴⁶ "Consumer Price | Statistical Office Of The Republic Of Serbia". 2022. *Stat.Gov.Rs*. Accessed August 16. <https://www.stat.gov.rs/en-us/oblasti/cene/potrosacke-cene/>.

⁴⁷ "Croatian Bureau Of Statistics". 2022. *Državni Zavod Za Statistiku*. <https://podaci.dzs.hr/en/>.

⁴⁸ "GDP Per Capita, Consumption Per Capita And Price Level Indices - Statistics Explained". 2022. *Ec.Europa.Eu*. Accessed August 16. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=GDP_per_capita,_consumption_per_capita_and_price_level_indices.

⁴⁹ "CBBH". 2022. *Statistics.Cbbh.Ba*. Accessed August 16. http://statistics.cbbh.ba/Panorama/novaview/SimpleLogin_en_html.aspx.

⁵⁰ United States Department of State. 2022. "2022 Investment Climate Statements: Bosnia And Herzegovina". 2022 Investment Climate Statements. <https://www.state.gov/reports/2022-investment-climate-statements/bosnia-and-herzegovina/>.

⁵¹ Ibid

The geopolitical tension between Bosnia and Hungary is medium, and this can be attributed to the different manners that Hungary hold for Bosniaks and Bosnia Serbs. While Bosnia was applying to join EU, Hungary's prime minister Viktor Orbán claimed that the 2 million Bosnian Muslim who are primarily Bosniaks is a challenge and key issue for the security of the state in a speech that he delivered in December 2021.⁵² In response, the Bosniak president, Džaferović, called Orbán's statement "shameful and rude".⁵³

On the other hand, Hungary is providing support to RS to enhance stability in the region. Orbán visited Banja Luka and promised to allocate 100 millions euro in December 2022. Hungarian Foreign and Trade Minister Péter Szijjártó visited RS and met with Dodik to follow up with the disbursement in July 2022.⁵⁴ Szijjártó promised to allocate thirty-five millions euro in the first round to small and medium sizes business.⁵⁵ Though the Bosniak president have not comment anything yet, the support that Hungary hold for RS can become an time bomb in a decade. Even though this risk is low, UNDP has to take it into consideration as ReLOaD is a series of programs.

5.2 Russia

Risk Level: low

Similar to Hungary, the diplomatic between Russia and Bosnia face the same problem. The Federation entity generally held an anti-Russia stance. On the 11th Emergency Special Session of the United Nations General Assembly, BiH vote in favor of the resolution "Humanitarian consequences of the aggression against Ukraine".⁵⁶ However, despite the country's proclaim that it is anti-Russia, about one hundred Bosnian Serbs protested in Banja Luka in support of the Russian President, Vladimir Putin, invasion in Ukraine.⁵⁷ Furthermore, Dodik deemed his relationship with Putin as brotherhood, and he claimed that he will never betray Putin.⁵⁸ Even though it is not likely that Bosnia is going to skirmish with Russia in the coming year, this can be a hidden risk after a decade. However, again, ReLOaD program should take this risk into consideration for its future programs.

5.3 Serbia and Kosovo

Risk Level: Low

The tension between Serbia and Kosovo is a historical issue, but it remains low. While Kosovo claims that it is an independence country and should have sovereignty, Serbia does not recognize Kosovo as a country. However, this tension escalated recently because government in Pristina

⁵² "'Shameful And Rude': Orban Slammed Over Remark On Bosnia's Muslims". 2021. *Euronews.Com*. <https://www.euronews.com/2021/12/23/shameful-and-rude-orban-slammed-over-remark-on-bosnia-s-muslims>.

⁵³ Ibid

⁵⁴ Kurtic, Azem. 2022. "Bosnia'S Serb Entity Welcomes Hungary'S 35 Million Euros In Aid". *Balkan Insight*. <https://balkaninsight.com/2022/07/01/bosnias-serb-entity-welcomes-hungarys-35-million-euros-in-aid/>.

⁵⁵ Ibid

⁵⁶ United Nations General Assembly. 2022. "Humanitarian Consequences Of The Aggression Against Ukraine."

⁵⁷ Brezar, Aleksandar. 2022. "Bosnian Serb Branch Of Russian 'Night Wolves' Biker Group Stage Pro-Putin Protests". *Euronews.Com*. <https://www.euronews.com/2022/03/12/bosnian-serb-branch-of-russian-night-wolves-biker-group-stage-pro-putin-protests>.

⁵⁸ "How Is Russia Controlling Milorad Dodik: Business Affairs With Russian Tycoons And Fear Of Putin'S Revenge". 2022. *Žurnal*. <https://zurnal.info/clanak/business-affairs-with-russian-tycoons-and-fear-of-putins-revenge/24933>.

required Serbian IDs holders to have temporary document during their stay in Kosovo, and Serbians drivers need to have Kosovo number plates.⁵⁹ This action irritated ethnic Serbs, and they blocked the roads connecting Kosovo and Serbia and an unknown man fired on the police on July 30th.

If the war breaks out between Kosovo and Serbia, BiH is going to be influenced because of the political division in the country. Back in 2020, the three Bosnian presidents fail to agree on the recognition of Kosovo as Dodik voted against the recognition of Kosovo and Džaferović and Komšić attempted to recognize Kosovo as an independent country.⁶⁰

Therefore, even though the risk remains relatively low now, a possible war between Kosovo and Serbia can still perturb the regional safety and security and hinder ReLOaD2.

⁵⁹ <https://www.aljazeera.com/news/2022/8/4/whats-behind-the-renewed-tensions-between-serbia-and-kosovo>

⁶⁰ <https://balkaninsight.com/2020/10/15/bosnia-presidency-fails-to-agree-on-recognition-of-kosovo/>