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**Top-Down vs Bottom-Up Aspects of the EU Institution-
Building Strategies
in the Western Balkans**

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Executive Summary

State weakness is one of the structural problems plaguing post-communist South East Europe (SEE); it reflects inadequate institutional performance but also certain legitimacy deficits. Institutions are distrusted because they are seen as representing particularistic interests which fail to deliver to citizens. The wish to secure EU membership is seen as a critical incentive for political elites to implement far-reaching political, economic and institutional reforms. For its part the EU identifies the weakness of state institutions as one of the key obstacles on the road to accession. Institution building has been one of the key elements in the EU's enlargement policy towards Central and Eastern Europe. The paper looks at the question of how this policy works in the Western Balkans, the next group of countries queuing for membership, where the state weakness problem is at its most acute due to factors like the legacy of conflict, the ethnicisation of politics, delayed transition, and economic underdevelopment. It looks at the EU strategy through the conceptual lens of social capital defined as trust in public institutions. The paper puts forward the argument that the EU approach for tackling state weakness is informed by a vision of *technocratic efficiency* and is not directly aimed at bridging the gap between citizens and institutions. This is illustrated through the example of the CARDS assistance programme, the EU's main institution-building tool in the Western Balkans. The EU institution-building strategy has been characterized by the assumption that improved performance generates public trust. We argue that this top-down approach has its limits and should be balanced with bottom-up policies aimed at enhanced citizen participation and pro-reform consensus building.

I. Introduction¹

It is now common to talk about the EU as the only game in town for the Western Balkans. Joining the Union has been declared, time and again, the key aim of all states and societies in the region.² What is more, as in the case of the eight new members who entered the EU on 1 May 2004, politicians, business people, and journalists commonly view the Western Balkans' ambition to join the club as the ultimate guarantee for advancement in terms of domestic political, economic and social reforms. The EU is also seen as an anchor for the process of inter-ethnic and inter-state reconciliation. For its part, the EU employs different strategies to promote positive change within and amongst the states in question. As elsewhere, its most effective tool seems to be strict political conditionality tied to benefits such as trade access, financial transfers, and advancement on the membership path. In doing so, the EU has critical impact on a range of domestic political and socio-economic arrangements and policies in the Balkans.³ Conditionality is a form of power that the EU wields not only to induce national governments to behave in certain ways, and embark on particular measures and policies, but also to shape the institutional environment within the target states. (Anastasakis and Bechev 2004).

In light of the pre-accession policies' all-pervasive nature, the present paper inquires into the nature of state-society relationship promoted by the EU. We focus, in particular, on the question of how the EU views institution building in the Western Balkans.⁴ We examine the EU's approach through the lens of social capital. Our key normative assumption is that in order to be sustainable, any institutional arrangement should be backed by or capable of generating a degree of public support. This assumption links together the empirical puzzle of the EU's strategy in the Western Balkans and the notion of social capital developed in the literature.

¹ This paper is a result of a research project undertaken by a team coordinated by Othon Anastasakis, Director of the South East European Studies Programme, European Studies Centre, Oxford working in the framework of the 'Functional Borders and Sustainable Security: Integrating the Balkans into the EU (IBEU)' project sponsored by the EU's Sixth Framework Programme (CT-2002-00131). The authors also wish to thank Galina Kostadinova of Minority Rights Group – London for her valuable contribution to the project.

² The Western Balkans include Albania, Bosnia-Herzegovina, Croatia, Macedonia, and Serbia and Montenegro.

³ This theme is explored by the ever-growing Europeanization literature. For its application to the Western Balkans, see Demetropoulou (2002, 2004) and Elbasani (2004).

⁴ The term institution building was introduced by the European Commission in 1997 in the context of enlargement towards Central and Eastern Europe. It denotes the enhancement of institutional capacity in order to meet the third Copenhagen criterion focusing on the transposition of the EU's *acquis communautaire*. (Commission 1997).

Juxtaposing social capital and the EU's external policies resents, no doubt, certain difficulties. As noted by Dimitris Sotiropoulos, the concept of social capital is rather fuzzy, overstretched and injected with variable meaning (Sotiropoulos 2004). For the purposes of our research, we define social capital as general trust in public institutions. Following Alina Mungiu-Pippidi, it is assumed that the existing gaps between public institutions and citizens, fuelled by what is referred to as 'particularistic' political culture, is a structural impediment for the 'EU-isation' process, which is but the most recent stage in intertwined historical processes of Europeanization and modernization in South East Europe (SEE) (Mungiu-Pippidi 2004).⁵ In other words, the paper looks at certain aspects of the EU contribution towards strengthening the links between the state and its citizens, as well as the state and civil society. The concept of social capital is, therefore, narrowed compared to the definition proposed by Sotiropoulos which includes horizontal bonds of universalistic trust that underpin civil society.⁶ The paper does not deal with universalistic/particularistic trust at the interpersonal and the societal levels, although it recognises it as central and in fact builds on other research that inquires into this issue. Neither does it look at how EU policies bring about bureaucratic networks at the supranational level, however relevant certain strains of the literature on social capital might be to this particular subject.

The paper analyses the EU strategy as reflected in the Community Assistance for Reconstruction, Development and Stabilization (CARDS) programme. It is based on a range of EU official publications as well as on a set of interviews made at the Commission's External Relations Directorate in October 2004. The choice of CARDS is conditioned by the fact that this particular financial instrument is a key element in the relationship between the EU and the Western Balkans, as well as the EU's primary institution-building tool. What is also interesting is that different parts of CARDS represent respectively the *top-down* and *bottom-up* approaches the EU employs in order to boost democratisation and administrative capacity in the Western Balkans. The term 'bottom-up strategies' refers to strengthening of civil society and the structures of local governance, while top-down is associated with institution building at the central level concerning various segments of the executive and the judicial branch. Thirdly, CARDS serves as a good illustration of how the EU structures its policy in the region. It is methodologically appropriate for assessing the EU's approach on institution building

⁵ Defining SEE is by no means easy, particularly when one looks at socio-historical criteria. Taking the EU's own definition, the paper includes in SEE the Western Balkans, Bulgaria and Romania.

⁶ One of the most influential definition is that of Robert Putnam who defines social capital as the degree to which a community or society collaborates and cooperates (through such mechanisms as civic networks, structures of trust, shared norms and values) to achieve mutual benefits (Putnam 1993).

because one can easily assess the relative importance of different goals and priorities. There is, however, one caveat. The paper analyses the EU's policy design, rather than the CARDS programme's impact on the ground. We unpack certain assumptions underpinning the EU approach drawing on the relevant legal and political documents and on our discussions with EU officials. The programme's impact would have required a different analysis and method. That said, the paper adds value by juxtaposing the EU's policy exemplified by CARDS and the institutional deficits plaguing the region. This helps us to grasp more clearly the relationship between policy demand on the part of the Western Balkans and policy supply on the part of the EU.

The paper is divided into four parts. Part one presents the overall political context in which the EU-Western Balkan relations operate. Part two looks at certain conceptual aspects related to the issue of *legitimacy* within the EU. Part three examines more closely the institution-building strategies underpinning CARDS. Finally, part four offers some tentative conclusions on how the notion of social capital relates to the EU policies in the Western Balkans.

II. The context: state weakness and the EU's Stabilisation and Association Process (SAP)

Distrust in public institutions and state weakness in South East Europe

There is now a growing debate about weak states in SEE (Blue Bird 2003; Van Meurs 2003). It has been accepted that state weakness is a common feature present throughout the Balkans, regardless of the individual states' progress in terms of EU integration and domestic reform (Anastasakis and Bechev 2003). States in the region are weak for a number of reasons, which boil down to the overarching issues of *legitimacy* and *efficiency*. They are illegitimate in the eyes of many of their citizens, because the latter see them as dominated by a different ethnic group or, even more importantly, as serving vested particularistic interests.⁷ There is, in that sense, a crisis of representation where citizens find themselves alienated from the public institutions meant to express their political will and to serve their individual and collective interests. Even more importantly, the Balkan states lack legitimacy because they fail to safeguard their citizens' rights (Blue Bird 2003:

⁷ Using data from a survey conducted in Bulgaria, Serbia Montenegro, Macedonia and Romania, Alina Mungiu-Pippidi demonstrates that the perceptions that society is fundamentally unfair, and certain individuals and groups enjoy disproportionate benefits is the strongest factor explaining the low level of social trust in institutions as well as amongst the citizens themselves (Mungiu-Pippidi 2004:18).

36).⁸ Even when the political will is there, authorities frequently lack the financial and administrative capabilities to implement reforms and policies badly needed for improving the economic conditions. Inefficient performance can translate into illegitimacy in the eyes of the citizenry. State weakness and public resignation form a vicious circle, where one leads to the other and vice versa. The net result is invariably deep-seated mistrust in institutions, which has a long-term social impact. Research carried out by the Center for Liberal Strategies in Bulgaria has shown that even when institutions perform better and living standards are rising, social pessimism persists even amongst individuals whose socio-economic status improves measured by all objective indices. (Center for Liberal Strategies 2004).

There is ample evidence illustrating the immediate political consequences of the phenomenon described above. The confidence gap between state institutions and the public in individual SEE countries is reflected in the low voter turnouts during elections. In October 2003, only half of registered voters participated in Bulgaria's municipal elections. A record low 55 percent of those entitled voted in Macedonia's presidential polls in May 2004. Serbian Parliament had to take out the 50 percent turnout requirement from electoral laws in order to avoid a third debacle at the vote for president in June 2004. We are dealing with a phenomenon of electoral democracies that fail to generate a wider and more substantive democratic interest. As a result, representative bodies such as the national parliaments are constantly at the bottom of the polls in terms of popularity (Krastev 2002). Regardless of how efficiently they operate, public institutions suffer from serious legitimacy deficits. It is no exaggeration to say that this problem is of key importance for the Western Balkans and wider SEE, alongside more familiar issues related to, for example, ethnopolitics or market reforms. This has been recognised by the EU itself: 'Throughout the region [of the Western Balkans], trust has to be rebuilt among leading reformers and between the politicians and their electorates.' (Commission 2004: 12). It is, therefore, appropriate to inquire into how the EU's own policy addresses the problem.

The EU antidote: The Stabilisation and Association Process (SAP)

In Central and Eastern Europe, the EU gradually recognised the need to strengthen state capacity and develop robust civil society as strategic objectives. It followed a similar script in the Western Balkans. With the launch of the Stabilization and Association

⁸ For a discussion of the relationship between weakness and efficiency in the Albanian case, see Ruli (2003).

Process (SAP)⁹ in 1999, the EU identified institution building (broadly understood as both the creation of public/state and civic institutions) as a core element in its approach. By 2001-2002, priorities shifted from reconstruction, paramount in both the post-Dayton and the post-Kosovo war phase, to the enhancement of the state's governance capacity. Although democratisation, as well as the first Copenhagen criterion, is still high on the EU agenda, the SAP places a particularly strong emphasis on policy sectors like border management, law enforcement, anti-corruption, trade and public finances, cross-border cooperation and regional integration. In principle, the process is aimed at fostering pluralist and multiethnic societies backed up by strong, yet democratic, states capable of safeguarding the rule of law and implementing the EU legal and policy templates.

While *effective governance* is at the heart of the SAP, the EU focuses on promoting *legitimacy through participation*. It is not uncommon for the two principles to collide. The example of Bosnia, having 30 or so parliaments at different levels (federation, entity, cantons) but struggling to build a single customs authority to meet the EU standards, is indeed instructive. Bosnia's multiple levels of governance are meant to guarantee the collective interests of the three main ethnic groups. In functional terms, however, the resultant complex structure is a recipe for disaster. (European Stability Initiative 2004). Deadlocks in decision-making, even on trivial issues, are commonplace. This boosts the role of the High Representative who resorts to his extraordinary prerogatives to unilaterally pass legislation and sack elected officials on many occasions.

Bosnia illustrates the pitfalls in legitimising institutions through ethnicity.¹⁰ More specifically, it warns about the tradeoffs between the encouragement of ethnic participation and fostering workable institutions. In the ethnically divided societies of the Western Balkans, the EU has tried to combine both strategies. Power-sharing arrangements promoted in the context of its Common Foreign and Security Policy (e.g. the 2001 Ohrid Agreement in Macedonia) rest on the principle *legitimacy through (ethnic) participation*, the Commission's institution-building method – and, therefore, the SAP – is mostly about *efficient governance*. One may argue that, on the whole, legitimising the state through stronger and more effective institutions is the EU's preferred strategy, but it should be also acknowledged that this cannot be achieved without minority representation. Without the Ohrid compromise, Macedonia's institutions would have been even weaker than what they are at present. Still, power-sharing is a method to mitigate ethnic tensions, rather than a promoter of reforms under the EU economic and *acquis* criteria.

⁹ This includes the so-called Tracking Mechanism for Kosovo.

¹⁰ On power-sharing arrangements in the Western Balkans, see Bieber (2004). For a general discussion of ethnofederalism in the post-communist countries, see Bunce (2004).

The trouble is that civic solutions to the problem of *legitimacy* are not easy to find. In ethnically divided societies affected by socio-economic hardship, individuals typically seek security and welfare by turning to networks within their own group. In places like Bosnia, Kosovo and Macedonia, there coexist a number of parallel societies that are defined by an ethos of particularism.¹¹ It is relatively difficult for the citizens to transcend ethnic borders and coalesce over issues of common interest. Ethnicity becomes the main building block in all social arrangements, notably in state institutions. Moreover, institutions have a feedback effect on society in that they consolidate ethnic borders. That does not mean necessarily that societies which are more homogenous or less fragmented by ethnic tensions are immune to particularistic thinking. Research carried by the Romanian Academic Society and the Center for Liberal Strategies observes similar attitudes in Macedonia, on one hand, and Serbia Montenegro, Romania, and Bulgaria, on the other (Ganev *et al.* 2004). The survey shows that universalistic social trust – that is trust *erga omnes* - needed for the development of a healthy civil society, is a scarce commodity across SEE. It is also difficult to legitimise state institutions by rooting them in civil society, where the latter is either absent or, at best, underdeveloped.¹²

Part of the problem is the EU itself. It does not have a particularly strong record of promoting citizen participation in the post-communist countries of Central and Eastern Europe. To quote the obvious example, enlargement (as most of the European integration project) has largely been an intergovernmental business (Moravcsik 1998; Zielonka 2001). There is even a strong case to be made that membership negotiations strengthen the executive vis-à-vis the legislative branch, which could be seen as an export of democratic deficit (Grabbe 2001). In addition, top-down membership conditionality has arguably trivialised party competition. Party competition is reduced to the question of who is better prepared to implement the EU requirements, and not on the legitimacy or desirability of the requirements *per se* (Grzymala-Busse and Innes 2003). In a similar vein, Ivan Krastev observes that arrangements and constraints imposed by external bodies, such as the IMF and the EU, are paramount for the rising gap between the political elites in South East Europe and their constituents (Krastev 2002, Blue Bird 2003: 46-7). Finally, the implementation of EU *acquis* has been accompanied with the establishment of various depoliticised and non-representative regulatory bodies, e.g. independent central banks and competition authorities (Majone 1996; Maniokas 2000). The relationship between efficiency and representation in the EU's enlargement policy is, no doubt, a tricky one.

¹¹ On the Macedonian case, see Gerald Knaus *et al.* (2004).

While most of the Western Balkan countries are far from accession, the SAP is closely modeled on the enlargement process and, therefore, is underpinned by the same political logic. The only notable difference is that the EU has been much more reluctant to extend clear membership commitments (Anastasakis and Bechev 2003; Papadimitriou 2001). The SAP could be called, for the lack of a better term, a *pre-pre-accession framework* featuring a range of measures aimed at EU-compatibility. The EU requires the Western Balkan governments to embark on reforms in a number of areas ranging from minority protection to sanitary standards. In doing that, it assumes a degree of prior consensus within the society on the desirability of the required political, economic and institutional reforms on the way to membership. The EU is, therefore, relatively worse equipped to push for reforms through encouraging bottom-up citizen involvement *during the (pre)pre-accession period*. The case in point is Serbia where before the fall of Milosevic the EU supported grass-roots actors, opposition-run municipalities and democratic parties. Once changes occurred in October 2000, the EU refocused its attention to institutional and policy reforms. However, this did not mean it has been ready to transfer power in the hands of the government. As in Central and Eastern Europe, the top-down principle is a cornerstone of the EU's policy.

In sum, the SAP can be characterised as an essentially top-down strategy prioritising governance efficiency, rather than building pro-reform constituencies at the grass-roots level. It could, therefore, be expected to work only when (1) the political consensus is already there, and (2) institutions have at least some initial capacity to take aboard and implement the EU standards.

III. Between representation and efficiency: the legitimacy debate inside the EU

Many of the complex relationship between efficiency, legitimacy and trust are reminiscent of ongoing debates within the EU itself. We argue that these debates contribute significantly to our understanding of the Union's policy in SEE. This section maps the existing literature and extracts some ideas for analysing the EU's approach to institution building in the Western Balkans.

¹² For a discussion on democratisation in SEE and the role of civil society, see Vukasin Pavlovic (2004).

Students of legitimacy in various political contexts have disagreed widely on what legitimacy is and how to define this concept. They, nevertheless, have concurred that it has something to do with *support*, and, especially, *popular trust* for political decisions, personalities and institutions (Blondel 1995: 62; Lord 2000: 1). No regime, even the most autocratic, can survive without the support, implicit and/or explicit, of its citizens. That is why, the majority of regimes around the world try to capitalise upon the popular support by creating appropriate political and social institutions and by cultivating special relations with representatives of civil society. It should be emphasised, that an important part in this process is played by the rule of law, and especially *constitutional rule*, as a means of establishing and formalising different channels and acts of support. The support, granted by both individuals and organisations, may vary substantially, depending on the circumstances. Hence, it should not be perceived as a clear-cut and fixed point, but more as a continuum. Authors working on legitimacy issues have indicated it can also be both *general* (for the overall political system) and *specific* (for individual policies) (Easton 1965: 311-19; Blondel 1995). At the same time, acts of government can be perceived as legitimate for what they achieve (*substantive legitimacy*) and for how they do it (*procedural legitimacy*) (Weber 1946). Thus, legitimacy implies the existence of a trade-off between efficiency and stability, on the one hand, and normative justice and political style, on the other (Lipset 1983; Diamond and Lipset 1994).

In terms of definition, Seymour Martin Lipset posits that ‘legitimacy involves the capacity of the system to engender and maintain the belief that the existing political institutions are the most appropriate ones for the society’ (Lipset 1984: 88). Alongside the complicated question of what legitimacy actually is, political scientists have addressed the puzzle of how governments make their authority legitimate. The process is referred to as legitimisation, and it differs from the concept of legitimacy, which is its ultimate *object*. In his classical work *The Theory of Social and Economic Organisation*, Max Weber identifies three ways of legitimisation (or ‘three pure types of legitimate authority’): *rational*, *traditional* and *charismatic* (Weber 1964: 328).

The legitimisation of policies and decisions is different at the supranational (‘European’) level, and the state and sub-national level of governance. Political identity, loyalty and affiliation all do not operate in the same way in those contexts (Wallace 1993: 100). Joseph Weiler refers to ‘formal’ or *constitutional* legitimisation of the EU, since, in his mind, the creation of all European institutions has been sanctioned by law (Weiler 1993: 19; Weiler 1999b). Both Daniela Obradovic and Fritz Scharpf, however, claim that law and the implementation of constitutional reforms are not sufficient to provide the

requisite legitimacy for the European political and governance system (Obradovic 1996: 197; Scharpf 1994: 220). Finally, Markus Höreth concludes that the legitimisation of the European multi-level system presents a multidimensional and complex problem in and by itself (Höreth 1998: 30)

Divided on a number of points, the literature on the legitimacy problems within the EU has nonetheless identified *three principal types of legitimisation* (Scharpf 1994 and 1999b; Höreth 1998 and 2001):

- 1) *Output legitimacy*: Efficiency and effectiveness of European problem-solving ability and capability; *government for the people*;
- 2) *Input legitimacy*: Direct democratic legitimation of European politics through the elected European Parliament; transparency; citizen participation and consultation; *government by the people*;
- 3) *'Borrowed' legitimacy through Member States*: Indirect democratic legitimation of European politics and their already legitimated authorities (member state governments, national parliaments, civil servants and nominated experts); *government of the people* (and *the rule of law*, one may add).

Numerous studies on the relationship between European governance and democratic legitimacy have pointed out that the supranational authorities have traditionally relied on the first and third types of legitimization (Scharpf 1994 and 1999b; Wessels and Diedrichs 1997; Höreth 1998; Moravcsik 2002). On one hand, the technocratic and utilitarian side of the EU institutions, i.e. the ability to redistribute valuable public goods to key interest groups in the member states and society at large in a relatively efficient manner (Majone 1996 and 2001), has been always seen as an important reason for the existence of a 'permissive consensus' on the part of the European population, lasting for virtually three decades until the late 1980s. On the other hand, the democratic 'rule of law' of the member states comprising the Union and the expanding scope of application of the supranational ('Community') law, achieved through the relentless legal activism of the European Court of Justice (ECJ) and the several formal revisions of the EC/EU treaties, are seen as instruments used by the supranational bodies to 'borrow' legitimacy from the Member States' democratic institutions (Obradovic 1996).

In contrast, the EU's *input legitimacy* has been rather thin. The Union's predominant sources of legitimisation are essentially operational, but they do not suffice to support its democracy/legitimacy credentials as a 'new kind of polity.' It is true that the

EP is directly elected by the EU citizens, but it is the only such European institution. At the same time, the elections for EP are not tremendously popular among national politicians and the Member-State population, while its legislative and decision-making powers are relatively weak compared to those of the European Commission and the Council. The detachment between the national and supranational levels of authority has left both national politicians and civil-society groups asking for more transparency and accountability on the part of the European elites and officials in Brussels. Under these circumstances, it has become increasingly obvious that the growing body of unsatisfied and underrepresented EU citizens should somehow be given more say in European matters. As Frank Schimmelfennig puts it, '[t]he more power over issues of core state sovereignty and redistribution was transferred to the European level, the more the Community was in need of its own sources of direct popular support' (Schimmelfennig 1996: 2) Since the mid-1980s, different forms of *input legitimacy* have been conceived, but little implemented in practice. For instance, the creation of formal European citizenship in the early 1990s and the debate initiated by the *White Paper on Governance* on the role of 'civil society' in Europe have produced almost no substantive results in legitimating the EU directly (Warleigh 1998; Bellamy and Warleigh 2001; Eriksen 2001; Höreth 2001).

The distinction between input and output legitimacy is particularly relevant to the Western Balkan context. The top-down approach does not delegitimise the EU because the latter is seen by both the elites and the citizens in the Western Balkans as a provider of benefits such as trade access, economic assistance and security.¹³ It is a privileged club and, therefore, entitled to set the rules. Its gate-keeping role is imbued with the substantial ideological power of Europeanisation discourse. Acceptance in the club - and, more broadly, recognition as truly 'European country' in terms of identity and institutional practices - is a matter of prestige and has great social value in the eyes of the elites and the public. Although distant, the carrot of membership renders the accession project attractive. The EU is legitimate because it is seen as offering much to the potential candidate states of the SAP, irrespective of the deficits on the input side.

The power of attraction legitimises the EU's actions targeting domestic policies and institutions. As membership typically enjoys broad public support across the Western Balkans, governments that fail to deliver on the promise to move their countries closer to this goal suffer political setbacks (though this does not necessarily mean that reformist and pro-EU elites are dominant as in Serbia, where the nationalist Radical Party is still the

party with most parliamentary seats). Furthermore, the EU's *political conditions*, such as cooperation with the International Criminal Court for former Yugoslavia, might be contested domestically but this hardly applies to the technocratic agenda of the enhancement of governance capacity and harmonising with the *acquis*. Finally, top-down pressure is perhaps the right strategy to get things done in the short term – though a risky approach if long-term aspects of the democratisation process - given most Western Balkan governments' chequered reform record and the weak and foreign aid-dependent civil society.

IV. EU-sponsored institution building: the case of CARDS

Like SAP, CARDS was launched following the end of the Kosovo crisis and in view of the completion of the second round of the PHARE programme (1997-2001). Its central aim is to assist the reconstruction and institution building in the five countries of the Western Balkans. CARDS amounts to 4.65 billion euro and runs financially from 2001 until 2006, with a multi-annual indicative programme covering the period 2002-04 (Council of the EU 2000)¹⁴. To some degree, it addresses a similar set of issues as its predecessor PHARE that had been active in several Western Balkan countries in the 1990s. However, unlike PHARE which has been mainly geared towards the applicant states of Central and Eastern Europe, CARDS also targets some specifically Western Balkan problems stemming from the conflicts of 1990s like the return of refugees and internally displaced people. The strategy underpinning the programme is, therefore, crafted with regard to the Western Balkans' relatively low starting point in domestic reforms and European integration. Through its regional fund, CARDS also supports various bilateral and multilateral cooperation projects, whereas PHARE only sponsored bilateral cross-border schemes under its INTERREG component. Thus, CARDS is also an instrument backing up the EU's interstate cooperation conditionality in the Western Balkans, which is a novel element compared to the policy pursued vis-a-vis Central and Eastern Europe (Anastasakis and Bechev 2003).

While the European Commission worked out the strategic framework in the CARDS Strategic Paper (2001), the identification and implementation of individual

¹³ For the Western Balkan perceptions of the EU, see Commission's regular report on the SAP for 2004 (Commission 2004: 24-5).

¹⁴ In 2003 an additional 200 million euro were added to the CARDS for the period 2004-06 on the initiative of the EU's Greek Presidency.

projects has been entrusted to the EU delegations on the ground. However, in Serbia, Montenegro, Kosovo and Macedonia, the EU assigned these functions to the European Agency for Reconstruction (EAR), a body headquartered in the Greek town of Thessaloniki (Council of the EU 2000b). In any event, the beneficiary governments have no autonomous role in drafting and managing the projects as their counterparts in Central and Eastern Europe did during the last stages of the PHARE programme. In order to channel assistance more effectively and avoid overlap, the recipient governments submit to the Commission information about their specific needs but it is ultimately the latter which selects priorities and approves measures. To use the Commission's own language, while CARDS has been 'deconcentrated', it has not been 'decentralised'¹⁵. One should, therefore, note that it is up to the Commission to determine what counts as individual needs and the top-down character of the process is not fundamentally altered.

There is no evidence that the bilateral and multilateral fora for intergovernmental dialogue between the EU and the Western Balkans have made much difference in terms of shaping the SAP parameters (Anastasakis and Bechev 2003). Neither is it clear to what extent the Commission and recipient governments cooperate on equal footing at the project level. The 'European Partnerships' (EPs) instituted by the Thessaloniki Summit (June 2003) are now the instrument to translate the general SAP priorities into specific policy measures and CARDS-funded projects. However, it is doubtful whether the partnership is truly equal. (Gligorov 2004; Chandler 2003). The experience of the former candidate states in Central and Eastern Europe with their Accession Partnerships suggests that the latter were essentially an EU tool to boost its conditionality and push its reform agenda in the run-up to accession. (Grabbe 1999).

Still, giving the EAR and the Delegations a greater say is a way to avoid the disadvantages of a *one-size-fits-all* policy directed unilaterally from Brussels. In light of the heterogeneity of the Western Balkans, the EU claims that CARDS-funded projects and, more generally, the SAP processes are tailor-made to suit the needs of the individual partner countries. CARDS projects in Albania, for example, focus overwhelmingly on Justice and Home Affairs issues. They differ substantially from the ones implemented in Croatia which deal increasingly with transposing the *acquis*, or the ones in Bosnia where the main goal is to strengthen the central level of governance.

One can discern two strategies operating within CARDS: one focused on state-level governance and one targeting society at large. The priorities under the first strategy are the following:

¹⁵ Interview with a DG External Relations official, Brussels, 19 October 2004.

1. *Strengthened capacity in the field of Justice and Home Affairs (JHA)*: improved border controls, integrated border management, build-up of institutional and legislative framework on migration and asylum issues, police training. JHA issues often have the highest priority. For instance, 47 percent of the projects supported by CARDS in Albania during 2002 fall into that domain (Commission 2003a);
2. *Public administration reform*: this is institution-building *strictu sensu*. A special emphasis in all five SAP countries is placed on the customs and taxation authorities. The EU's emphasis on public administration testifies to the continuity between enlargement and the SAP process as the administrative capacity requirement was worked out in the 1990s with regard to the then Central and Eastern European candidates;
3. *Economic development*: this part of CARDS deals mostly with strengthening institutional backup of the market: trade regimes (e.g. standardisation, rules of origin certification etc), public finance regulations etc. Importantly, the CARDS/SAP economic development agenda is in many respects about the transposition of the *acquis communautaire*;¹⁶
4. *Physical infrastructure*: similar to PHARE and ISPA in the accession states, CARDS contributes funds for improvement, upgrade and construction of the road network of the SAP countries. This priority featured high on the CARDS list of projects in the programme's first years but gradually decreased in importance. The main exception has been Serbia and Montenegro where the more generous provision of aid has made it possible to fund both infrastructure and institution building.¹⁷

The second part of the CARDS addresses the following issues:

1. *Post-conflict rehabilitation*: the bulk of the funds under this priority have been allocated to help refugee returns. Particularly relevant in the case of Bosnia-Herzegovina and Croatia;

¹⁶ Having already signed Stabilization and Association Agreements (SAA) with the EU, Croatia and Macedonia which have assumed obligations to adjust their policies in areas like competition, public procurement, sanitary controls, metrology to the EU standards which is reflected in the CARDS projects implemented in those countries.

¹⁷ Interview with a DG External Relations official, Brussels, 19 October 2004.

2. *Civil society, democracy and the media*: funds for projects launched by NGOs, support for independent media;¹⁸
3. *Education and social cohesion*: focused on harmonising standards in higher education, student and teaching staff mobility;
4. *Local governance*: support for projects developed at the municipal level with the participation of local actors. A great deal of those projects deal with physical infrastructure development.

If the first strategy addresses the weak state problem by applying top-down measures, the latter relies mostly on strengthening local civil society, citizen participation and the municipal level of governance. It could, therefore, be described as representative of a bottom-up strategy.¹⁹ (Of course, this description ignores the top-down manner in which the EU manages ‘bottom-up’ assistance.). The EU aims at both reinforcing the SAP states’ policymaking capacity, and creating conditions within the society that would boost the democratic and market reforms with a view of moving closer to the strategic objective of membership. In an ideal world, those two strategies should go hand-in-hand, but it is clear that, given CARDS limited resources, the EU is faced with certain choices about the allocation of its financial assistance to the Western Balkans. In which basket should Brussels put, figuratively speaking, its own money: that of the central state or that of the local authorities and civil society. In other words, it is important to look at the way the EU strikes a balance between the top-down and bottom-up approaches.

The answer to this question is quite straightforward. As indicated in a recent Commission report, ‘Following an initial phase of heavy focus on physical reconstruction and rehabilitation to create a basis for further development – which entailed the front-loading of funds – *the focus has shifted to institution building primarily at state level*, with the aim of assisting the reform processes and thus preparing the countries for a closer relationship with the European Union. There are many other areas that are vitally important for the countries’ development, such as *local governance* and *social sectors*, which are *not the highest priorities* of the CARDS programme’ (Commission 2003b: 17, emphasis added). What is meant, however, by institution building? Is it mostly about technocratic convergence and administrative capacity, or does it include public trust as well? What CARDS shows is that the EU has prioritised the development of

¹⁸ In addition to CARDS, Bosnia-Herzegovina and Serbia and Montenegro are pilot countries in the European Initiative for Democracy and Human Rights (EIDHR). EIDHR supports projects initiated by NGOs from these two states.

¹⁹ The Blue Bird report distinguishes between bureaucracy-building and constituency-building, which roughly coincide with the top-down/bottom-up dichotomy proposed here (Blue Bird 2003: 47-53).

administrative and judicial bodies, capable of implementing its conditionality and adopting its own governance standards, than the investment in civil-society participation in state institutions.

The above claim is supported by the financial allocations made under the CARDS. Table 1 looks at the Multiannual Indicative Programmes (MIPs) included in the CARDS country strategies paper. They are considered a more reliable indicator of the EU's priorities than either the regular reports issued by the Commission since 2002 or the EPs. Whereas the reports and EPs each weigh SAP states' progress in meeting the whole range of EU conditions (political and economic as well as *acquis*-related), the CARDS strategy papers allow us to weigh the relative importance of the different elements in the EU's strategy for the Western Balkans. We group the latter under the two headings of top-down (JHA, public administration, market reforms support, physical infrastructure) and bottom-up (civil society, education, local governance). Given that division, the allocation figures are as follows:

CARDS MIPs 2002-2004

COUNTRY	ASSISTANCE 2001-2004 (in million euro)		
	Bottom-up	Top-down	Total
Albania	35.9	108	143.9
Bosnia-Herzegovina	49 (refugee returns: 45.5)	143.9	192.9
Croatia	66 (refugee returns: 42)	123	189
Serbia Montenegro			
a. Serbia	55.5	559.5	615
b. Kosovo	18.3	226.6	244.9
c. Montenegro	4.5	40.5	45
Macedonia	24	106.5	130.5

Source: Commission 2001b, 2001c, 2001d, 2001e, 2001f.

The Commission addresses the structural problem of weak statehood through focusing on in governance capacity. This is a conclusion based on the relevant SAP/CARDS papers as well as our interviews at the European Commission. CARDS

specifically targets the fiscal and customs authorities, police and courts seen as critical for the core state functions of collecting revenue, controlling borders, and enforcing the law. In some extreme cases, like international protectorates in the Western Balkans, CARDS even finances the functioning of the top-tier central institutions such as Kosovo's provincial parliament for instance. The state-strengthening element is at its most visible when law enforcement policies and institutions are concerned. About one fourth to one half of the aid to individual recipients is allocated to the internal order authorities and the judicial system that is, to use the EU-coined term, Justice and Home Affairs (JHA). CARDS has supported programmes to train police officers and magistrates, in order to deal more effectively with challenges like organised crime and illegal migration, which the EU (and its Member States) consider crucial for its own internal security. As in the accession countries, Brussels has also focused on improving the institutional capacity of courts on criminal as well as civil matters. These objectives are achieved through procuring much needed physical equipment as well as training magistrates and police officers. The latter activities have been carried out through ad hoc support from Member States (e.g. in Albania where Italian *carabinieri* have worked closely with local police forces for years). After 2003, the Western Balkans have been included in the twinning exercise, whereby staff from the EU Member States works for a period of time in a counterpart body in the target state to help it reform and implement EU standards.

In addition to the actions at the national level, CARDS has made a great effort to set up integrated border management systems. In May 2003, the EU launched a high level conference on integrated border management (IBM), demonstrating how prominent the issue is on its agenda. It is not only a technical issue but also a key political priority. IBM brings together the economic development, regional cooperation and state-strengthening agendas within CARDS. It entails the setup of cross-border and cross-institutional cooperation mechanisms capable of combating crime, while facilitating the legitimate flows of goods and people. Such policy goals are linked with the development of well-working bureaucratic networks on all levels (national, state-to-state, and state-European Commission). More broadly, the European Commission identifies inter-ministerial cooperation as key precondition for the successful implementation of the SAP and CARDS.²⁰

In addition to the aid channeled directly to state institutions, CARDS allocates considerable resources to support *economic development* and *market reforms*. What is important, however, is that the Union reinforces this through investing in the central

²⁰ Interviews with DG External Relations officials, Brussels, 19 October 2004.

government. In that sense, the economic development agenda does not differ substantially from the policies implemented in the field of JHA and public administration. The measures and projects receiving CARDS support often entail the transposition of the relevant EU *acquis* into issue-areas such as trade, investment, competition, intellectual property, public procurement and the like.²¹ They also involve the establishment of appropriate regulatory frameworks to implement the norms in question. At the same time, the EU is not as closely involved in supporting social-sector reforms.²² Typically, pensions, social security and public healthcare, which are more visible to the citizens than the *acquis* adoption and implementation agenda, have been taken by other bodies such as the World Bank. Arguably, EU assistance for market reforms is helpful in advancing the process of integration, yet unlikely to boost public confidence in the state in the short term.

What is important to note is that visibility has not been a factor in designing institution-building strategies. This was a point that surfaced very clearly in our discussion with officials from the EU's External Relations directorate responsible for CARDS projects in the individual Western Balkan states. While the investment in infrastructure has always been in the public eye and demonstrates the positive effect of cooperation between national authorities and the EU, the shift towards more technical agendas inevitably obscures the EU's contribution. The public by definition cannot be expected to keep track of the progress made in, say, government procurement policies. The visibility deficit has been acknowledged by the Commission. At the same time, its officials consider that ultimately enhanced institutional performance benefits society in the mid- to long-term, which is how one sells externally-sponsored institution building to citizens.²³

Arguably, bottom-up elements within CARDS cannot be expected to have an immediate effect on trust in public institutions either, though this still stands to be confirmed by further empirical research. Priorities like refugee returns (in Croatia, Bosnia-Herzegovina and Kosovo) and education do indeed seem consistent with the concept of social capital, but they are mostly geared to the latter's interpersonal and horizontal aspects. Refugee returns are linked to rehabilitation of social and physical infrastructure at the community level. Education aid has been aimed at the convergence with the EU standards and policies in the respective sector. If we operationalise social capital as trust in public institutions, however, the impact of such measures appears much more diffuse and immediate. The assistance channeled to local authorities comes closest to the ideal-

²¹ For a critical assessment on the relationship between harmonisation with the *acquis* and economic growth in the Balkans, see Kekic (2002).

²² Interviews with DG External Relations official, Brussels, 19 October 2004.

²³ Interviews with DG External Relations officials, Brussels, 18 and 19 October 2004.

type model where institution building enhances civic representation and, therefore, public confidence. Where such projects have been implemented, as in Albania for instance, they have mostly concerned the buildup and repair of physical infrastructure.²⁴ One can safely hypothesise that institution-building close to home is more conducive to the development of social capital in both the horizontal and the vertical sense. In the run-up to the Thessaloniki summit, the European Stability Initiative (ESI) proposed the radical overhaul of the EU's assistance-delivery methods suggesting that the Western Balkans should be included in the Union's structural funds (ESI 2003). This was seen as a way to boost local development and encourage positive change from the bottom up. It is clear, however, that bottom-up strategies are what the EU policy in the Western Balkans - or generally in the candidate states - is about. The ESI-initiated debate - although it influenced the Greek presidency's discourse - failed to alter the SAP approach, and the Thessaloniki Summit did not overhaul the EU's methodology of assistance allocation (Bechev 2004). However, it could be expected that the emphasis on central-government bodies will change over time as SAP adopts more and more features of the enlargement process.²⁵ In the accession states (Romania and Bulgaria included), the EU linked the introduction of structural aid instruments like ISPA to the establishment of decentralised bodies charged with drafting and implementing projects at the sub-national level (Hughes *et al.* 2003). In any event, further empirical studies are needed to demonstrate how aid channeled to the grassroots affects state-society links in the local context.

The central question that the CARDS figures raise goes back to the original puzzle of what institutions the EU fosters in the Western Balkans: ones inspired by the idea of *technocratic efficiency* or ones promoting bottom-up participation. The available evidence suggests that the first proposition reflects the European Commission's approach much more closely. Efficiency in policymaking and implementation in issue-areas where capacity is lacking lies at the core of CARDS and, by implication, of the SAP. Trust-building, by contrast, appears to be a marginal concern, not least because of the technical nature of the CARDS assistance. As one official put it, one cannot expect the institutions to become more popular because of the nature and type of EU-funded projects but six or seven years down the line improved performance will have the effect of augmenting the EU's popularity.²⁶

²⁴ Interview with a DG External Relations official, Brussels, 19 October 2004.

²⁵ This evolution of the SAP is illustrated, *inter alia*, by the fact that under the European Commission coming into office in November 2004 the Western Balkans will be transferred to the Enlargement Directorate.

²⁶ Interview at the DG External Relations, Brussels, 19 October 2004.

V. Conclusion

In light of the foregoing discussion, we offer three sets of conclusions:

1. The EU does not focus on social capital per se but assumes that institutional efficiency generates public trust

The EU does not address directly the *public trust* deficits observed in the Western Balkans. Its policies of conditionality and aid-delivery are geared mainly towards policymaking *efficiency*, and in some cases support existing power-sharing arrangements. The EU, therefore, believes that states gain *legitimacy* through enhanced institutional performance and/or the accommodation of collective ethnic interests, rather than through greater civic participation in the policy process. This is not to suggest that the EU underplays democratic reforms, which are one of the key conditions embedded in the SAP. However, it is still the case that the EU agenda is informed to a greater extent by the principle of efficiency, rather than representation.

At the same time, investment in post-conflict reconciliation as well as in inter-institutional networks (the border-management example) suggests that the EU approach takes into account certain *horizontal aspects of social capital formation*. The second goal is relatively more important because it has attracted more CARDS funds and is implemented in all five SAP states, as well as in Central and Eastern Europe during the accession process. Yet, unlike civic reconciliation, institutional networking does not match the notion of universalistic interpersonal trust outlined by Alina Mungiu Pippidi (2004), which is the basis of this paper.

2. The EU self-defines the meaning of 'functioning institutions'

It is the EU, and not the SAP states, that sets the criteria and benchmarks for institutional functionality and performance. This has been also the experience of the enlargement countries. The EU employs a minimalist and maximalist definition of functionability. The former relates to certain core aspects of statehood such as the ability to control borders, enforce the law, and collect revenue. The maximalist criterion of institutional performance is strongly influenced by the EU's own practices and structures; it has to do with the capacity to adopt, implement and adjudicate the

acquis communautaire. The CARDS packages for the individual Western Balkan states gravitate towards the first pole, although they increasingly shift towards the second one, particularly in the case of frontrunners like Croatia.

Thus, the EU balances its one-size-fits-all conditionality by tailoring customised arrangements for each Western Balkan state. Country-to-country variation is understood as serving the principle of institutional effectiveness, which is translated into enhanced relationship between the state and its citizens. However, the EU reserves for itself the right to determine individual needs and is unlikely to alter the unidirectional method of priority-setting.

3. Similar to enlargement, CARDS and the SAP promote a technocratic approach to policymaking

SAP and CARDS increasingly resemble their counterparts used by the EU in its enlargement towards Central and Eastern Europe and, therefore, exhibit some well-known deficiencies. CARDS targets the central state authorities, primarily a range agencies and bodies within the executive and the judicial branch that are responsible for implementing the *acquis*. They aim at creating like-minded local elites qualified to handle effectively the technocratic aspects of EU integration. These are indispensable both as negotiating partners as well as implementers of the Community programs in the region. However, the exogenously-assisted growth of such elites cannot substitute the public support for the social and economic arrangements introduced on the path to the EU.²⁷ While the rates of approval of the EU (and, by implication, for its institution-building policies) are exceptionally high at present, this might change as the integration process advances.

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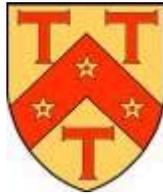
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The South East European Studies Programme was launched in 2002 as part of the European Studies Centre, St Antony's College, University of Oxford. It focuses on contemporary politics and society in the post-communist Balkans, Greece, Turkey and Cyprus. Drawing on the academic excellence of the College, the University and an international network of associates, this Programme seeks to foster academic and policy relevant research and discussions on the dynamics of post-conflict reconstruction, transition emphasising the role of, and relations with the European Union. In investigating each of these poles as well as their interrelationship, its ambition is to be provocative and constructive.

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- To organise conferences, workshops and research seminars;
- To promote a multi-disciplinary study of the region's developments within Oxford University (e.g. politics, law, sociology, economics, international relations) working in collaboration with students' groups, academics, Centres and Programmes within the University;
- To spearhead exchanges and debates among networks of individuals and institutions beyond Oxford on these issues;
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- **The Balkan Pillar:** Organisation of brainstorming sessions - between academics, experts and policy makers involved in the region - supported by background research and followed by action papers.
- **The Greek-Turkish Pillar:** Set-up and operation of a Greek-Turkish Network to promote greater mutual understanding on each country's politics and society and their impact on Greek-Turkish and EU-Turkish relations. Analysing developments in Cyprus.

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