Abstract:

International efforts to improve the quality of local-level governance in developing societies often produce mixed results. In this article, the authors draw on new institutionalism to argue that the impact of international assistance for better local governance in Bosnia-Herzegovina is shaped by the opportunities for local leaders to form pro-reform pacts (Goetz 2007) and by interaction with locally distinct, informal “rules-in-use” (Ostrom, 1999) in local administrations. The authors test the argument against original data collected in 2005 and 2010 in six randomly selected similar municipalities across Bosnia-Herzegovina, focusing on three pairwise comparisons. Interview testimony; official documents; observation of public hearings and service provision; and FOIA tests provide data on independent variables and the dependent variable, a multidimensional index of local government performance that the authors formulated. Analysis suggests that local leaders who have formed pacts with politicians, social groups, and business leaders with a shared interest in well-performing local governments are more likely to build momentum that helps them change local “rule-in-use” to support reforms and ultimately improve local government performance. Without supportive “rules-in-use” in local administrations, the rules promoted by international donors to improve local government performance remain only on paper.

1 Paula thanks Borisa Mraovic for his painstaking fieldwork; Jessie Ede, Connor Smith, and Sladjana Danković for their insightful analysis; Eric Robinson and Ian Cross for research assistance; Jill Irvine & Olesya Tkacheva for comments, and Paul Manna for advice. Paula appreciates the financial support of a Weingartner fellowship and the Public Policy program at William and Mary. Mirna appreciates the support of Charles University’s Center for Social and Economic Strategies.
Advocates of local democratic governance argue that close relations between locally elected officials and their constituents exert pressure on local leaders to be responsive and accountable to citizens. Most citizens in Bosnia-Herzegovina recognize their mayors and do not hesitate to stop them on the sidewalk, for example, to ask why they have not kept promises to repair the primary school roof. Officials in donor governments and international organizations have embraced programs to improve the quality of governance at the local level, viewing them as essential to democratization (Bratterbury & Fernando, 2006). Empirical research, however, has demonstrated that local governance reforms often run up against political, institutional, and social obstacles (Hadiz, 2007). This paper uses new institutionalism and original data on the quality of local government performance to explain the varying results of reforms to improve local governance in six similar municipalities in Bosnia and Herzegovina between 2005, when reforms were initiated, and 2010. Despite similar “rules-in-form” promoted by reformers, locally distinct “rule-in-use” (Ostrom, 1999) in administrations and possibilities for leaders to forge pro-reform pacts with major political and social forces (Goetz, 2007) influence the implementation of reforms for better local government performance. By considering informal rules, we offer a better understanding of the factors that shape the impact of international aid for democratization and the conditions under which informal rules that undermine proposed democratic rules can be overcome.

After outlining the country context for local government reforms, we discuss new institutionalist literature on municipal government performance and international efforts to promote democratization. We describe how we investigate propositions rooted in new institutionalism and then briefly depict improvements in our case municipalities’ performance.
We end by explaining why some municipalities improve their performance more than others by highlighting the divergent trajectory of performance in two pairs of similar municipalities.

**Country context**

Bosnia is an important case for studying externally led efforts to improve local-level governance, which is considered an important component of international efforts to rebuild inclusive and stable states in ethnically divided post-conflict societies. After the 1992-1995 war, the internationally supported Dayton Peace Accords Bosnia-Herzegovina (hereafter: BiH) has encouraged a slow process of democratization and decentralization. With a weak state-level government, BiH’s two entities – the Federation BiH (hereafter: FBiH) and the Republika Srpska (hereafter: RS) – have been vested with significant decision-making powers. In FBiH, power is further divided between the entity level and ten cantons,\(^2\) while the RS is centralized and without a regional level of government. The state contains 143 local government units.\(^3\)

BiH has come a long way from a system where municipalities had substantial competences and autonomy to execute, but were merely an extended hand of the state under strict political control of one party (Jogan, 1992). Today, municipalities in BiH are politically and administratively autonomous governmental units with own competences and revenue-raising powers; representative democracy has been affirmed through regular local elections. Since 1999 in the RS, and 2004 in FBiH, mayors have been directly elected as the heads of the municipal executive. Municipal councilors have been directly elected since 1997.

Municipalities, inter alia, provide administrative and communal services, are in charge of spatial and development planning, and have specific duties in some sectors under the jurisdiction

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\(^2\) The cantons reflect the ethnic makeup of individual territories: 6 cantons are populated by either Croats or Bosniaks, while two are considered to be mixed.

\(^3\) Local government units are towns and municipalities. There are 8 towns and 135 municipalities in the two entities.
of higher levels of government, such as education, social welfare, and health. Competences at the municipal level differ to a minor degree between the two entities. However, there is a difference in the relationship that municipalities have with higher levels of government. Due to its centralized nature, the RS features more significant interaction between municipalities and sectoral ministries. Sectoral ministries in the RS have a greater influence on local government finance, authorizing municipalities’ annual budgets and borrowing requests. In FBiH, municipalities interact more frequently with the canton, and to a lesser extent with the entity.

The entities, responsible for legislating in the area of local governance,\(^4\) have adopted local government laws\(^5\) that basically respect the provisions of the European Charter on Local Self-Government (CLRAE, 2012). Nevertheless, municipalities still face problems. They are expected to perform a “monotype” set of functions, despite substantial differences in the size of their territory or population, and administrative or fiscal capacity. Fiscal decentralization is another concern: municipalities share a number of revenues with higher levels of governments and receive transfers from them, but can raise few own sources of revenue, such as local fees. Taxes are collected at higher levels; municipalities have little possibility to set tax rates or bases (Miovcic, 2007). Internationally recognized as the key source of own revenue for municipalities, property tax in many cantons in FBiH instead is shared between cantons and municipalities. A report (CLRAE, 2012, 72) warns of a breach of the European Charter, as local government competences are frequently far from full or exclusive, in practice being challenged either by the entities or cantons.

\(^4\)In FBiH, local governance is considered a shared jurisdiction between the cantons and the entity.
The current decentralization agenda in BiH has been driven by international donors, who have provided financial, technical, and policy support. In the past decade, donors offered municipalities a myriad of programs focused on improving local government capacity and performance. These topics range from fiscal management and strategic development planning to the introduction of e-governance, and improvement of service delivery, accountability, and citizen participation. These programs differed in their duration, scope, and insistence on the institutionalization of the practices promoted. They also differed in their involvement of local actors in design and implementation. But how effective is such intervention?

**Theoretical frame**

We seek to explain the varying impact of international intervention on local government performance. To do so, we employ the theoretical approach of new institutionalism. Studies of governance reform have found that attention to resources is not enough to explain variation in reform and that institutions matter (March & Olsen, 1989). New institutionalism argues that institutions, which can be defined as “rules, structures and norms that create and enforce cooperative behavior among individuals and groups” (Davies & Trounstine, 2012, 52) influence political outcomes. Scholars have combined different strands of new institutionalism (rational choice, sociological/constructivist, and historical) to explain local governance outcomes (Lowndes et al., 2006; Jacoby, 2004; Schimmelfennig, 2003). Rational choice scholars assert that the incentives that institutions create guide individual behavior and political outcomes, in this case in local governance (Davies & Trounstine 2012, 56). For example, scholars (Goetz, 2007, 413; Andersson & Van Laerhoven 2007, 1093) cogently argue that political and

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6 As an illustration, donor assistance in the field of local governance amounted to 9.6 milion euros in 2010 and 8,4 million euros in 2011 (Ministry of Finance BiH 2012, 75).
administrative leaders will only engage meaningfully in reform if they believe it does not jeopardize their power.

We propose to combine rational choice and sociological approaches in order to explain the variation in improvement in local government performance. Experimental research has demonstrated that people often do not act merely out of self-interest (Jones, 2006, 402), which is an assumption of rational choice models. This leaves space for informal institutions, such as norms and social learning to influence behavior, ideas promoted by sociological institutionalism (Jacoby, 2004, 27). A substantial body of research on post-communist Eurasia suggests that informal institutions –“those created, communicated and enforced outside of officially sanctioned channels”– influence formal institutional reform (Helmke & Levitsky, 2004, 725). In the former Yugoslavia, party ties often trumped merit in determining public sector jobs and capital investment, practices that linger and can thwart reform. The role for norms is particularly relevant for the topic of internationally supported reforms, since international donors promote Western norms of good governance that may differently resonate with Bosnian norms. E.g. In addition, international donors bring different strategies for the design, implementation, and monitoring of reforms, which create varying incentives for local compliance with reforms (Goetz, 2007, 420) and for local learning of new norms and behavior.

Drawing on new institutionalism, we argue the impact of international intervention for improving local government performance is shaped by the interaction between the locally distinct rules-in-use (Ostrom, 1999, 37-8) and the new rules proposed by internationals. Rules-in-use indicate a specific combination of formal and informal institutions that influence local government performance through providing incentives for behavior and expressing norms of appropriate behavior to actors involved in local government reform (Lowndes et al., 2006, 546).
Individuals use rules-in-use in making decisions and refer to rules-in-use if asked to explain and justify their actions (Ostrom, 1999, 50). Rules-in-use can be formal, consciously designed and specific, such as the operating times and responsibilities of a one-stop shop. Or they can be unwritten customs that support pro-reform behavior, such as maximizing accountability, or anti-reform behavior, such as patronage or social exclusion. Rules-in-use often emerge from discussion of how things are done in an administration, for example, performance evaluation, and why they are done one way and not another (Ostrom, 1999, 38). Drawing from Helmke and Levitsky (2004, 728), local leaders and administrators had several options for reacting to similar internationally supported pro-reform rules-in-form. The first option was to implement fully the new pro-reform rules so that they replaced the pre-reform rules-in-use and facilitated improved performance. A second option was to partly or selectively implement pro-reform rules, allowing them to co-exist with pre-reform, probably competing rules-in-use. This would result in uneven improvement in performance. The final option was to leave pro-reform rules “on-paper” only, allowing pre-reform rules-in-use to undermine them and slow improvement in performance.

We propose that the rules-in use within local administrations, in combination with the opportunities of local elites to forge pro-reform pacts among major political actors and interest groups (Goetz, 2007), influence reform outcomes. The possibilities for pro-reform pacts allows for focus on the powerful actors – mayors, local council persons, higher level party and governmental officials, local business leaders, and perhaps civic activists—capable of changing rules-in-use so that they contribute to improved local government performance.

For local elites to be able to forge pacts in favor of local governance reforms, they need local and inter-governmental political contexts and social forces that enable reform (Goetz, 2007, 413). Local leaders who view reforms as beneficial to their political futures are encouraged to
pursue reforms when their political parties or factions and higher level government officials believe reforms will contribute to their power. In addition, local leaders are more likely to improve local performance if they work toward a vision “of a more ideal municipality” (Denis, Langley, & Rouleau 2007, 448; Grindle, 2007, 104) and pursue policy entrepreneurialism (Roberts & King 1991, 155; Jevdović 2006; Damanpour & Schneider 2008, 505).

We hypothesize that where local leaders can forge pro-reform pacts and public administrations can establish rules-in-use that promote principles of good governance, government performance should be better.

Qualitative methods for gathering and analyzing data are best suited for unearthing these often hidden rules. We investigated rules-in-use in local public administrations by analyzing interview testimony about administrative practices and norms from those directly involved in local governance reform, paying particular attention to corroboration from multiple officials and interviewees’ provision of specific examples. We also gathered data on rules-in-use through direct observation of one-stop shops and public hearings, official records of actions and policies; and external audits and media investigations of municipal governance. To explore the chances for local elites to form pro-reform pacts, we analyzed NGO testimony about inter-governmental and local political dynamics. [need to provide data on the funding that higher levels of government transferred to municipalities]. We probed interviewees’ answers to questions about political leadership exercised by the mayor, particularly his or her vision for the municipality and policy entrepreneurialism. Interview testimony about mayors’ work with municipal councilors, higher level government officials, local civil society groups, local business leaders, and international organizations indicate how well the mayor is able to forge pro-reform coalitions with these potential partners.

**Index Design and Research Methods**
The first step in understanding why local government performance has improved is to measure local government performance over time. To do so, we created our own index of good local government performance, which draws on the broad dimensions set by Grindle (2007), namely efficiency, effectiveness, accountability and development orientation. We added the indicator of equity, conceptualized to be important in comparative governance literature (UNDP, 2009). In total, these five dimensions feature 15 indices that we tailored to the local government practices and the legal framework in BiH (Appendix I). By constructing our own index and gathering our own data, we avoid the bias of relying on indices of local government capacity developed by donors (Pickering, 2012).

We took several steps to try to isolate the impact of international aid. We took into account our six municipalities’ population size, fiscal capacity and territorial distribution. To avoid the bias that results from studying reforms in only those municipalities that have received comprehensive international aid, we randomly selected three medium sized municipalities, controlling for the factors above, that had received only “narrow” aid and compared them to three randomly selected municipalities that received comprehensive aid. By narrow aid we

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7 Municipalities were within 15% of the estimated average GDP/capita (Republika Srpska Institute of Statistics 2011b; Federal Office of Statistics 2011a); had a medium sized population by each entity’s criteria (Federal Office of Statistics 2011a-2011c; Republika Srpska Institute of Statistics. 2011a-2011b). More generally, the lack of a post-war census in BiH complicates efforts to control precisely for fiscal capacity and population. We consulted data sources that provide the best possible estimates of criteria we used to select our cases. Another challenge for case selection was that attempts to take into account one factor, such as ethnic diversity, sometimes meant that cases selected fit across the full range of the 15% variation of our measure for fiscal accountability—GDP per capita.

8 The geographic and ethnic spread together with random selection meant that some municipalities were close to a strategic hub, while others were not, characteristics that affected municipalities’ ability to attract aid and investment.

9 We could not use impact evaluation methods to isolate the impact of international aid, which urges comparison of governance in randomly selected municipalities that received international aid to control municipalities that did not receive aid (National Research Assembly 2008). This is because all of Bosnia’s medium sized municipalities with ethno-national diversity had received some kind of international aid.

10 Two cases were selected from the three ethnically dominant regions in BiH, with one municipality in each region having implemented one or more comprehensive international programs and one in each region having implemented one or a few narrow programs. We undertook substantial research in order to construct a database on the projects that had been implemented in municipalities in BiH for the purpose of case selection. Our study seeks to understand
mean aid programs that focus on a particular component of municipal governance, such as
development planning or fiscal transparency. By comprehensive aid, we mean projects that are
broad-based and address multiple aspects of municipal governance, including service delivery,
administrative capacity, financial management, and development planning. Because literature
expects the presence of ethnic-based political parties representing different ethnicities in
legislatures to complicate governance, we organized our six municipalities into three pairs. Two
pairs of municipalities had one ethnic minority party in the local legislature, one pair in the
Federation and one in the RS. The third pair had multiple parties representing the ethnic
minority in their local legislatures in the Federation. The second step we took was to gather data
in municipalities for at least two points in time: 1) a baseline close to the onset of major
international initiatives for local governance reforms (2005) and 2) in 2010, in order to try to
gauge the impact of internationally supported reforms in improving performance. Thus, we
studied the reforms that took place between 2005 and 2010 in six municipalities with varying

the approaches that international organizations use that do or do not facilitate the development of self-sustaining reforms for municipal performance. We do not attempt to evaluate the performance of particular aid projects. Comprehensive intervention municipalities received aid from two different donors.

1 Narrow reform projects included OSCE’s Municipal Administration Reform Programme (MAP) (2004-2008), providing assistance on public finance and human resources management, UGOVOR (2005-2009), a modular program focusing, , on increasing transparency, cooperation with citizens, introducing an ethical code for elected officials, strategic planning, and revision of local statutes and rulebooks, and Local First projects (2009 – ongoing), a modular capacity-building project that has allowed municipalities to choose one or two different aspects of governance, including improving municipal management and accountability (focusing on aspects such as fiscal transparency, human resources management and strategic planning), improving municipal communications or raising the efficiency of local councils. UNDP’s Rights-Based Municipal Development Programme (RMAP) (2002-2009) and Integrated Local Development Programme (ILDP) (2009-ongoing) projects have focused on strategic development planning, while UNDP’s Reinforcement of Local Democracy project (2009-ongoing) has focused on introducing procedures for transparent financing of NGOs through municipal budgets.

12 The comprehensive programs included international capacity building projects that attempted to introduce substantive changes in terms of governance in the municipality. Projects considered comprehensive were USAID’s and SIDA’s Governance Accountability Project (GAP) (2005-2012) that focused on the enhancement of technical and administrative capacities in municipal service delivery, creation of one-stop-shops, financial management, planning or e-governance; USAID’s Northeast Bosnia Local Government Support Activity project (2002-2005), similarly focused on improving administrative capacity, creation of one-stop-shops, financial management, and development planning, among other aspects; and the Municipal Development Project (2004-2012), financed by the Swiss government, also focused on broad-based good governance reforms, including development and spatial planning, creation of one-stop shops, boosting citizen participation and other activities.
levels of intervention. Municipalities included in our pairs are, listed from those receiving comprehensive to narrow aid are: Vitez and Gornji Vakuf Uskoplje; Konjic and Čapljina (both in FBiH), and Modriča and Novi Grad (in the RS) (Table 1). We did not take into account rules-in-use in our case selection because it is not feasible to measure rules-in-use though statistics or subjective answers to broad-brush surveys. As Ostrom (2011, 21) acknowledges, it is not possible to understand the rule-in-use in a particular institution without conducting intensive, participatory research. Thus, we investigate rules-in-use during our research in the cases.

A case study approach promotes a deep understanding of local government reforms. It allows us to reveal the interaction between often invisible rules-in-use and new rules pushed by international donors and to use triangulation on indicators that cannot easily be measured. We used different methods to gather data in the six municipalities for measures of the performance index and of factors theorized to improve it. To get information about the content, timing, initiator, and implementation of reforms, we conducted structured interviews of mayors and representatives of the municipal administration, municipal legislature, international organizations that had implemented a project in the municipality, NGOs, and local communities, the lowest territorial administrative unit (mjesne zajednice, MZs) In total, we interviewed 55 stakeholders in local governance, who generated over 500 pages of testimony. Whereas municipal representatives, international organization representatives and MZ representatives were selected by the nature of their position and their role in the reform processes, NGO representatives were selected based on the availability and access to interlocutors, as well as variety in terms of the ethnicity of the communities they represent and territorial distribution.

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13 In two cases where the mayor was not available for an interview, we interviewed the mayor's deputy instead.
14 MZs, which existed during socialism, serve to facilitate citizens’ communication with and input into municipal governing decisions. In particular, MZ representatives, who are selected by varying means, articulate citizens’ request for capital investment to municipal governments. MZs are required in the Federation, but not in the RS. We chose MZ representatives based on the availability and access to interlocutors, as well as variety in terms of the ethnicity of the communities they represent and territorial distribution.
selected based on the nature of their activities. To receive input on the equity dimension of our Index, we also spoke with NGOs that represent those in a minority position in that particular locality. To gain insight into the practice of local performance in real life settings, we observed one public hearing on the draft budget in each municipality, observed service provision in the municipalities’ citizen service centers, analyzed municipal websites to assess transparency and usability, and did a freedom of access to information (FOIA) test. Data gathered through archives, websites, and interviews allowed us to analyze civil society activity. Finally, we analyzed laws relevant for local government performance. We used the qualitative data-analysis program NVivo (Scolari, 2010) to help interpret testimony of stakeholders. NVivo allows us to call up systematically and within context all discourse on the topic of interest (e.g. equity) that occurred throughout interviews. With NVivo, we examined across sources ideas about performance and factors that influence it.

FINDINGS

Varying Improvement In Performance

To measure the performance of the case study municipalities and understand how it changed between 2005 and 2010, we coded municipalities’ performance on each indicator of our

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15 We focused on NGOs that conducted activities in the field of social welfare, culture, development, ecology, youth policy, human rights, *iter alia*. We did not talk with sports and hobby associations. Data on NGOs also allowed us to probe whether differences in local civil society activism influence the variation in improved performance. We found no systematic relationship between civil society activism and local government performance. For example, only a handful of local NGOs were active in any of our case study municipalities and there was not substantial variation in the number of NGOs across our municipalities. In addition, interviewees—even many local civic activists—regarded local NGOs as having little to no impact on local governance. Data on another factor theorized to influence local government performance—political competition in the local legislature—was not found to be systematically related to local government performance. For example, the municipality with the second greatest increase in political competition between 2005-2010 of our cases—Čapljina—exhibited the smallest improvement in local government performance over that time period.

16 Either representatives of constituent peoples in a minority position or national minorities.

17 We consider civil society as consisting of groups that registered as associations with one legal entity, whom we could contact, and whom we verified through publicized projects, budget records, and/or donors that they are active.
Index’s dimensions (Appendix 1) on a 0-3 scale. We found that all six municipalities improved to varying degrees their performance over the five year period (Table 2). Table 2 here.

The extent of international intervention fails to explain the variation in improvement. The comprehensive intervention municipalities, which received the largest amount of aid and aid addressing the largest number of components of local governance, all improved their performance between 2005 and 2010. Also, they performed at a higher level than those receiving narrow aid. Two comprehensive intervention municipalities (Konjic and Modrača) made more progress than their narrow intervention counterparts (Čapljina and Novi Grad, respectively). But one narrow intervention municipality—Gornji Vakuf Uskoplje—made not just more progress than its comprehensive intervention counterpart – Vitez—but also more progress than all other municipalities. We explain why below.

**Explaining varying levels of progress in performance**

Primary reasons for different levels of improved performance are varying opportunities for local elites to build pro-reform pacts and locally distinct rules-in-use, which affected adoption of internationally proposed rules.

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18 For example, our first measure of efficiency is “municipal service centers that deliver important documents in reasonable time periods,” usually minutes or hours. A municipality received a 0 for this indicator if either no citizen service center where citizens can get documents in one place exists or if one exists but the staffers are not visible, there are significant waits, data is not digitized, and/or citizens not in the majority question the equity of services. A municipality received a 1 if its citizen service center exists, but its data is only partly digitized and there are questions about equity and/or timeliness of service delivery. A municipality received a 2 if its citizen service center functions effectively; data is digitized & also there is a clear system for submitting and addressing complaints; there can be questions about equity of service delivery. A municipality received a 3 if its citizen service centers function well and equitably, with even extended working hours, not just in providing documents, but also in receiving payments; all data for basic documents are digitized; there is a system for submitting and addressing complaints; there is a system of control and/or citizen evaluation.

19 We changed the names of the municipalities in order to protect those whom we interviewed.
Those municipalities that had favorable opportunities for local leaders to forge pro-reform pacts made greater strides in improving performance than those municipalities with a constrained environment for mobilizing around reform. Our field research uncovered several pathways for local leaders to build pro-reform pacts. Several mayors who gained office for the first time in 2008—Gornji Vakuf Uskoplje and Novi Grad-- had good opportunities to forge pro-reform pacts. They selected mayors who faced efforts to weaken them by opposition parties in the local council and/or by donors. To launch productive initiatives for reform these newly elected leaders aggressively worked to form pro-reform pacts. They reached out to select local councilors, include oppositionists; higher level governmental officials; and international donors, as well as in some cases to civic activists and MZ leaders, the bulk of whom had either no opportunity to work with, or who had refused to work with, their more closed predecessors. They also shamelessly borrowed reform designs from donors and best practices from high performing municipalities. These leaders pursued a vision of development and reform for their municipalities that helped them rally behind them progressive forces at multiple levels of government and society. Close, party-line ties helped the mayors most successful at obtaining support for reforms from powerful higher levels of government. The strong grip that elite-based parties in BiH hold over their elected officials (Vuletić, 2005) emphasizes Goetz’s point that pro-reform pacts must be blessed or at least abetted by local leaders’ parties. Yet the case of Čapljina’s mayor, who failed to secure funds from well-placed fellow party members in the canton, demonstrates that winning support requires skills beyond shared party membership.

The other mayor who forged strong pro-reform pacts illustrates how a multi-term mayor can solidify pro-reform pacts. Modriča’s mayor did so in part by institutionalizing and following his vision in strategic documents, which international donors helped him develop and by
strengthening ties to higher levels party officials, local businessmen, and long-term donors. All mayors, like Modriča’s, considered adept at forming pro-reform pacts cooperated with regional development organizations and/or neighboring states that crossed ethno-national lines.

Pro-reform leaders are needed in order to help ensure the implementation of internationally supported pro-reform rules. Field research indicated that no local leaders and administrators implemented fully the new pro-reform rules so that they replaced the pre-reform rules-in-use and facilitated improved performance. Local leaders and administrators in most municipalities instead partly or selectively implemented pro-reform rules, allowing them to co-exist with pre-reform, competing rules-in-use. Local actors in Gornji Vakuf Uskoplje and Konjic did more to implement pro-reform rules while those in Vitez, Modriča, and Novi Grad did less. Local officials in Čapljina left pro-reform rules “on-paper” only, allowing pre-reform rules-in-use to undermine them and slow improvement in performance.

Examples of rules-in-use that undermined municipal performance include those that preserved opaque municipal practices and rejected implementation of explicit rules for increased interaction between local officials and ordinary citizens. In most municipalities, pro-reform formal rules were undercut by their coexistence with informal rules that limited possibilities for broad-based and effective participation. While Čapljina was the only municipality that did not hold public hearings on the draft budget, others used formal and informal rules to manage participation. Novi Grad declined to announce hearings ahead of time, thus almost no citizens appeared. Vitez held a hearing on the draft budget that was “public” only to local community leaders, who even during that time perceived their voices to be limited. Others seemed to focus on informing mainly existing local power holders. Only Konjic and Modriča met and exceeded proposed pro-reform rules for increasing the transparency of public hearings. They announced
hearings in advance, adjusting them around citizens’ working hours and/or, presenting them technically well and in adequate venues. These steps allow ultimately for better attendance. But most local leaders failed to extend citizen observation of decision-making into citizen input into decision making. When we asked administrators to provide an example when citizen input altered the draft budget, they could not name one. Administrators in Novi Grad, Vitez, and Konjic blamed political parties’ prioritization of policies serving their own interests for blocking citizen input. Politicized rules-in-use undermine the meaningfulness of citizen participation.

Non-transparent practices also determined most municipalities’ dispersal of funds for civil society and capital investment projects. Long-standing informal rules allowed most leaders to reward disproportionately groups (e.g. particular veterans groups) and local communities well connected to them and their parties. Charges of politically influenced capital investment decisions interfering with pro-reform selection rules were made by those we interviewed in Čapljina, Konjic, Vitez, and Gornji Vakuf Uskoplje. In the latter, officials awarded investment projects both on merit and on party criteria. In Modriča, the mayor single-handedly decided about investment in small business initiatives. A donor official blamed “mentality, years-long habits, and councilors’ lobbying” for the difficulty in getting Vitez and some other municipalities to adopt fair and transparent selection criteria for capital investment. For rational local politicians, there is little incentive to adopt transparent, merit-based criteria for funding that could jeopardize their ability to reward political supporters.

In a bright spot for reform, all case municipalities had by 2010 implemented rules for a one-stop service center that dramatically improved the delivery of key documents like birth certificates. New rules-in-use included longer working hours for the centers; clear procedures for accessing newly digitized citizen information; reasonable and publicized fees for obtaining
documents; construction of transparent “counter windows” for clerks to provide services, and oversight by a visible internal controller. Local leaders implemented these customer service-oriented rules because they resulted in tangible improvements. The direct election of mayors increased incentives for them to make broad sections of the citizenry happier with services, such as those provided by a one-stop-shop, upon which virtually all of them relied.

**Illustrating the Differences in Improved Performance in Two Pairs.**

A closer look at several pairs of cases—Vitez and Gornji Vakuf Uskoplje in the Federation and Novi Grad and Modriča— in the RS illustrates how locally distinct possibilities for pro-reform pacts and rules-in-use help explain varying levels of improved performance.

*Pro-reform pacts in Modrica vs. Novi Grad and Gornji Vakuf Uskoplje vs. Vitez*

In comparison to its comprehensive counterpart Modriča, Novi Grad’s mayor was slightly less adept at forming pro-reform pacts. The mayor, who came to power in 2008 after a mayor who faced an attempt by the local council to oust him, was praised for elevating a vision for the municipality and attracting investment from foreign companies and the entity government. The mayor’s practice of engaging in private consultations with local councilors prior to discussion of a sensitive issue in an open council session built bridges and pacts with councilors. Novi Grad’s mayor was also commended for bringing in young and enthusiastic staff, which helped her seek out and participate in internationally sponsored projects, including one in cross-border tourism. In contrast, Modriča’s multi-term mayor forged even stronger pro-reform pacts by maintaining good relations with higher level party officials and by strengthening his earlier outreach to businessmen, regional development organizations, local council persons,

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20 This practice of non-transparent consultation, while praised by a minority councilor, could also facilitate politicized decision-making. Gornji Vakuf Uskoplje’s mayor also boasted of discussing delicate issues with councilors from the other ethno-national group prominent in his municipality prior to municipal council meetings in order to prevent “slide tackles” from blocking decision-making.
and international organizations who offered long-term, comprehensive support for administrative reforms and the growth of private businesses.

While Novi Grad improvised by borrowing methodology from a donor for its 2010 development strategy and action plan, its implementation was spotty. Observers judged Modriča as far more comprehensively implementing its development strategy and action plan. Novi Grad expanded its budget between 2005 and 2010 significantly due to new contributions and capital investment from higher levels of government and international aid. Modriča however, topped its counterpart in attracting investment from foreigners and the entity, and provided more effective support for development of agricultural initiatives and small and medium sized businesses initially urged by donors. Novi Grad’s case supports Goetz’s claim that local leaders will go along with reforms as long as they anticipate they will be politically beneficial. Interviews suggest local leaders worked with a donor to introduce local communities (MZs)--a substantial undertaking intended to improve citizen input and capital investment--because they anticipated the reform would extend the reach of their party into rural areas. Regardless, such reforms, including voting by secret ballot, may result in outcomes beyond one party’s control. Modriča, on the other hand had long been working with MZs.

Within our pair in the Federation with high minority political representation, Vitez’ long-term mayor struggled to maintain pro-reform pacts, which constrained the comprehensive intervention municipality’s implementation of modern rules-in-form and only moderately improved performance. He bemoaned the municipality’s lack of resources, despite its greater wealth than Gornji Vakuf Uskoplje. Rather than reach out to potential allies in favor of accelerating reform, the mayor resorted to blaming other stakeholders for the slow progress in

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21 Varoš’ more substantial economic resources seemed to discourage it from working as directly (instead, hiring consultants to write strategies) and diligently to attract aid and investment.
performance. This included power-hungry higher level government officials. Vitez’ mayor’s problems in securing support from higher level officials illustrate the greater challenges to forging pro-reform pacts that local leaders in the Federation faced. The Federation’s extra layer—the cantonal—of inter-governmental institutions meant that its municipal leaders had to court more officials from more parties than their counterparts in the RS. Vitez’s mayor also criticized close-minded municipal councilors; neighborhood leaders ungrateful for capital investment; self-interested international organizations; and needy citizens and business leaders who wanted him to accomplish things that were beyond his competences. Not surprisingly, stakeholders reciprocated these negative assessments. Several interviewees held the mayor responsible for failing to implement internationally sponsored reforms after monitoring of these reforms ended.

In contrast, Gornji Vakuf Uskoplje’s mayor’s acumen in forging pro-reform pacts contributed to its substantial improvement in government performance. Between 2005 and 2010, Gornji Vakuf Uskoplje’s mayor had spearheaded the integration of the previously ethnically divided municipality. Stakeholders viewed the mayor as a young, practical, and energetic leader who expressed a clear vision for his municipality, launched productive initiatives for entrepreneurialism and reform, and had good consensus-building skills. Multiple stakeholders confirmed his assertion that he “has no 9-5;” is accessible; and spends time working in the field in order to understand his citizens’ problems. Furthermore, he consulted multiple political parties prominent in the local legislature in an effort to make ethnically balanced decisions about capital investment. These consensus-building skills are important to building inclusive pro-reform pacts in a locality with such a polarized past. After unifying the municipality, the mayor “missed no opportunity” to seek participation in international projects for local development and reform that had been previously off limits due to sanctions imposed on the divided municipality.
Apparently from the technocratic (vs. nationalist) wing of his party, the mayor obtained substantial support from ministers in higher levels of government while simultaneously resisting political pressure from higher-level party leaders to prioritize its narrow ethnic party’s interests over addressing local concerns of the municipality’s mixed population.

**Rules-In-Use in Modriča vs. Novi Grad and Gornji Vakuf Uskoplje vs. Vitez**

The strength of pro-reform pacts that local leaders forged influenced change in rules-in-use in our cases. In Novi Grad, interviewees provided many examples of how the co-existence of pro-reform and some anti-reform rules-in-use constrained improvement in performance. In contrast, its counterpart, Modriča did more to implement pro-reform rules. For example, while Novi Grad had adopted some pro-reform rules-in-form for dispersing funding for capital investment and civil society projects, even municipal administrators admitted these rules needed to be supplemented by rule book changes in order to result in more equitable funding for such projects. While Modriča’s process for disbursing aid for civil society projects was considered more equitable, its process for selecting capital investment projects failed to include transparent and merit-based rules, which left it as a powerful tool for rewarding loyalists.

Beyond rules for capital investment distribution, Modriča adopted far more extensive rules-in-use to promote accountability than Novi Grad. While Novi Grad adopted pro-reform rules that increased information for citizens it did not adopt rules for citizen input into decision-making, such as holding mayor’s office hours or public hearings beyond those on the budget. Citizens were required to issue a request in order to be able to attend local assembly sessions, even though the municipality re-broadcasts on a radio the sessions the following day. In contrast, Modriča’s mayor met citizens each workday for an hour. Modriča’s staff, whose professionalism was praised by interviewees, went to impressive lengths to inform citizens of
local assembly meetings, sending invitations to 28 organizations, broadcasting the agenda over the local radio station and posting it on the website 2-5 days before assembly meetings, resulting in 100-150 persons attending. In examples of citizen participation in decision-making, Modriča included outside citizens on committees allocating funds for civil society organizations and formulating its local development strategy. This contrasts with Novi Grad’s limited citizen input into decision-making. In one case an administrator mentioned that a citizen proposal about reducing municipal fees that was judged useful by the administrative staff died after citizens failed to gather the 5% of citizen signatures required to realize adoption of the initiative. Such a formal rule-in-use can undermine internationally promoted rules for empowering citizens.

Though it initially adopted an internationally proposed local assembly committee to scrutinize budgets, Novi Grad later discarded it after aid ended. Instead, it replaced it with an internal control committee that reports to the mayor, weakening improvement in administrative and financial oversight. Both municipalities’ unwillingness to maintain internationally proposed and funded rules-in use that can check the administrations financial resources point to the threat to officials’ power that such checks can make.

In the Federation pair, the comprehensive municipality of Vitez adopted substantial, but fewer pro-reform rules-in-use than its counterpart Gornji Vakuf Uskoplje. Vitez took steps to ensure high quality service in its one-stop shop, digitizing all documents, introducing electronic tracking of documents, adopting a mechanism for addressing complaints, and offering extended operating hours once a week. But, despite stellar-looking processes on paper, interviewees questioned the equitable nature of the municipality’s distribution of funding for capital investment and civil society projects. This emphasizes the clash between locally held norms of patronage and internationally promoted rules of transparent, merit-based project funding.
Notable for a municipality with large group of a constituent nation in the minority, Vitez’ ethnically diverse local council functioned rather well, as demonstrated by its detailed and public report on its work plan. It regularly informed citizens about municipal activities and made information and important documents available by its website and in myriad public offices. But Vitez provided little information in its budget execution report and it declined to open to citizens hearings on the draft budget or office hours. In a story that illuminated the limits of Vitez’ citizen participation mechanisms, a decision of its administrators to approve a citizen proposal to alter the draft budget was overridden by politicians in the local budget commission. Vitez went through the motions of development planning, “placing in a drawer to gather dust” its plan afterwards. This points to the shortcomings the mayor’s entrepreneurialism and in reform monitoring, which can create incentives for “photo ops” with documents that administrators fail to use.

Leaders in Vitez’ counterpart of Gornji Vakuf Uskoplje, on the other hand, translated pro-reform rules in form into everyday use, leading to extensive improvements in performance. By borrowing methodology and scraping together small grants, it constructed a small but efficient one-stop shop for citizen services. Like Vitez, interviewees in Gornji Vakuf Uskoplje noted a gap between the equitable processes on paper for distributing capital investment and civil society groups and outcomes, but they did not view it as glaring. Indicating improvement in efficiency, Gornji Vakuf Uskoplje’s council adopted its budget on time in 2010, a feat neither it could achieve in 2005 nor Vitez in 2010. In terms of accountability, Gornji Vakuf Uskoplje achieved the most substantial progress. It took extraordinary efforts to regularly inform citizens about its activities. Interviewees spoke about “full hallways of people” during the mayor’s office

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22 The fact that Varos, like Gornji Vakuf Uskoplje, has segregated shifts in its public schools “two school under one roof” shows the tenuous nature of the norm of co-existence.
hours, regular public hearings, and joint development planning committees as examples of citizen engagement mechanisms. Gornji Vakuf Uskoplje adopted in 2008 and later monitored its first development strategy, likely motivated by its struggling economy, which had been made worse by its prior history of division and sanctions. As a sign of its acceptance of the norms of co-existence and compromise, Gornji Vakuf Uskoplje was the only case that improved its compliance with rules requiring local authorities to secure national balance within local government institutions (FBiH Civil Service Agency, 2011; RS Vlada, 2011). Years of international prodding to integrate, the economic pain of sanctions, and a successful calculation that integration would result in aid for local reforms that improve the municipality and the mayor’s popularity likely contributed to the mayor’s attention to equity, in contrast to our other case studies’ leaders’ rejection of the norm.

Conclusion

Testing propositions from new institutionalism against original, independently gathered data in six BiH localities receiving different levels of international aid identifies the conditions under which aid for local democratic governance is likely to produce improved performance. Our research design featuring three pairwise cases that controls for confounding factors affecting performance but varies the scope of aid, allows for estimates of causality that other studies cannot make. This is because other studies frequently gather post-hoc data collection or compare base-line to post-program data only in those municipalities that received comprehensive aid. On the one hand, our study suggests that donors and implementers need to be more humble about the contributions that comprehensive aid has made to better local governance. On the other hand, our study’s look into narrow intervention municipalities’ improvements illustrates the conditions under which substantially less comprehensive funding can help empower mayors who are
already policy entrepreneurs to implement reforms that concretely improve municipal government performance.

Attention to the opportunities for local leaders to forge pro-reform pacts and to the interaction between locally distinct rules-in-use and rules-in-form supported by international aid helps explain variation in improved local government performance in our cases. Local leaders who developed pro-reform pacts by convincing a broad array of stakeholders in local governance of the benefit of reform created an environment needed to make the most of narrow international assistance, thus contributing to improved local government performance. For example, Gornji Vakuf Uskoplje’s mayor’s entrepreneurial mobilization of advocates of reform from the local assembly, international donors, higher level governmental officials, and local interest groups helped him implement internationally supported pro-reform rules, including those that increased accountability. While this much is clear, just how intra and inter-party political dynamics came together to provide such good opportunities to form pro-reform pacts in Gornji Vakuf Uskoplje is not clear from our research and deserves further in-depth investigation. Gornji Vakuf Uskoplje’s counterpart, Vitez, shows how a mayor’s trouble in maintaining pro-reform pacts with powerful higher level government officials and local business leaders weakens implementation of pro-reform rules that would improve performance on politically risky dimensions of local governance like accountability. Across municipalities, we found that the norm of patronage, which has long been rooted in municipalities, clashed with and undermined implementation of, internationally supported norms of accountability and equity. Only in Gornji Vakuf Uskoplje, which had suffered from sanctions and was the most impoverished case municipality, were local leaders and administrators willing to take the bet that adopting rules-in-
use that substantially improved accountability and equity would benefit both their citizens and them.

These findings on the importance of rules highlighted by new institutionalism calls for studies of the impact of aid to play closer attention to how domestic institutions influence the outcome of aid. Our findings could be tested in municipalities in other countries that receive international assistance for local democratic governance reforms. BiH is one of a number of ethnically divided developing countries across the globe that have seen substantial international intervention in support of local democratic governance (UNDP 2009). An investigation that takes seriously informal rules-in-use could benefit from more intensive field work in case study municipalities. Such research should include systematic, in-depth observation in order to tease out these often invisible local rules, how and why they are maintained and changed, and the complex opportunities for the emergence of progressive local pacts that affect local adoption of democratic reforms.
APPENDIX I: INDEX OF LOCAL GOVERNMENT PERFORMANCE

Efficiency

- Citizens are able to receive important documents in reasonable time periods from municipal service centers
- There is equity in the way that funds designated for capital investments and civil society groups are distributed
- The municipal assembly, including a standing commission, is working efficiently
- Feasible working plans of the assembly and of the mayor, with annual reports that compare results achieved with planned program goals to the public and for the mayor to the assembly

Effectiveness

- Operational system for performance monitoring;
- The draft budget, adopted budget, and reports on execution of the budget are adopted in accordance with legal obligations

Accountability

- Citizens receive information about municipal activities on a regular basis and they can access key documents; municipal assembly sessions open to the public and information about them is easily available
- Content of budgets and budget execution reports is transparent and user-friendly
- Citizens have opportunities for participation through mechanisms (such as public hearings, open days with the mayor to meet citizens, advisory committees) that they can use to hold public officials accountable.
- Administrative and financial oversight mechanisms are in place and functional

Development orientation

- Percent of budget allocated for capital projects
- The municipality strategically and actively tackles development issues

Equity

- Perception of groups of the population who could be marginalized – returnees, national minorities, constituent peoples who are not in the majority, female heads of households, etc.—that they can equitably access services and participate in local decision making.
- Groups mentioned above are included in the planning process of the budget and throughout the budget cycle;
- Compliance with laws on proportionality in units of local self-governance and on hiring individuals who do not belong to the majority constituent nation in the municipality
Table 1: Six Case Municipalities in Bosnia-Herzegovina:

<table>
<thead>
<tr>
<th>Extent of International Intervention:</th>
<th>Extent of minority representation in the local council in:</th>
<th>The Federation:</th>
<th>Republika Srpska</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Comprehensive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vitez</strong></td>
<td>• An ethnically mixed municipality in Central Bosnian Canton known for its vibrant small business activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ethnic party of the mayor &amp; dominant local council is different than that dominating the Cantonal Government from 2007-10 (in 2005-06, canton was evenly divided)</td>
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<tr>
<td></td>
<td>• Population size/mean ratio: .85</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• GDP per capita/mean ratio: 1.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Konjic</strong></td>
<td>• A Bosniak-dominated municipality in the Herzegovinian-Neretva Canton with an economy helped by hydroelectric power but burdened by moribund industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ethnic party of the mayor &amp; dominant party of local council is different than that dominating the Cantonal Government from 2005-10</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Population size/mean ratio: .96</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• GDP per capita/mean ratio: 1.0</td>
<td></td>
<td></td>
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<tr>
<td><strong>Modriča</strong></td>
<td>• A Serb-dominated municipality in the North West with a mayor known for encouraging business entrepreneurs</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Ethnic party of the mayor &amp; dominant party of local council is the same as that dominating the Entity Government from 2007-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Population size/mean ratio: .96</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• GDP per capita/mean ratio: 1.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Narrow</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Gornji Vakuf Uskoplje</strong></td>
<td>• An ethnically mixed municipality in Central Bosnia Canton whose newly elected mayor in 08 is eager to overcome ethnic division and a struggling economy</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>• Ethnic party of mayor &amp; council is the same as that dominating the Cantonal Government from 2007-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Population size/mean ratio: .65</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• GDP per capita/mean ratio: .83</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Čapljina</strong></td>
<td>• A Croat-dominated municipality in the Herzegovinian-Neretva Canton with an economy benefiting from tourism but politically suffering isolation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ethnic party of the mayor &amp; dominant party of local council is the same as that dominating the Cantonal Government from 2005-10</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Population size/mean ratio: .78</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• GDP per capita/mean ratio: 1.13</td>
<td></td>
<td></td>
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<tr>
<td><strong>Novi Grad</strong></td>
<td>• A Serb-dominated municipality in the North East whose newly elected mayor in 08 is credited with opening up the locality</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ethnic party of the mayor &amp; dominant party of local council is the same as that dominating the Entity Government in 2005-6 and 2009-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Population size/mean ratio: 1.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• GDP per capita/mean ratio: .95</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2: Change in Index of Local Government Performance between 2005 and 2010*

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Improvement in Local Government Performance between 2005 and 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Efficiency (out of 12)</td>
</tr>
<tr>
<td>Vitez (comprehensive)</td>
<td>7.00</td>
</tr>
<tr>
<td>GVU (narrow)</td>
<td>5.00</td>
</tr>
<tr>
<td>Konjic (comprehensive)</td>
<td>5.00</td>
</tr>
<tr>
<td>Capljina (narrow)</td>
<td>3.00</td>
</tr>
<tr>
<td>Modrica (RS) (comprehensive)</td>
<td>5.00</td>
</tr>
<tr>
<td>Novi Grad (RS) (Narrow)</td>
<td>3.00</td>
</tr>
</tbody>
</table>

* See Appendix I for indicators of dimensions of index of local government performance
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