

Making Local Government Work Better: How local and internationally sponsored institutions interact to influence performance in Bosnia-Herzegovina

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Abstract

Why has international investment into reforming local governance in post-conflict societies produced mixed results? Drawing on new institutionalism, the authors expect reform outcomes, even of comprehensive assistance, to be shaped by the interaction between new and old rules, an interaction mediated by local elites. This expectation is explored in three pairs of comparable municipalities in Bosnia-Herzegovina. Using data collected through field research and an original index of local government performance, we find that most municipalities achieved incremental improvements in performance between 2005 and 2010. Differences can be explained by the varying endurance of old informal rules that antagonistically co-exist with and undermine internationally proposed rules, as well as by the varying strength of local opponents of reform. The implication is that more effective promotion of local government performance requires more attention to and a long-term approach to minimizing the constraints posed by informal rules and local actors opposed to reform.

Introduction

Advocates of local democratic governance argue that close relations between locally elected officials and their constituents exert pressure on local leaders to be particularly responsive and accountable to citizens. Most citizens in Bosnia-Herzegovina (hereafter: BiH) recognize their mayors and some do not hesitate to approach him or her in everyday life. For example, one informant recounted that she stopped her mayor on the sidewalk to ask why he had not fixed the primary school's roof. Eager to capitalize on this positive democratic accountability dynamic (Bratterbury and Fernando 2006), Western donors have embraced programs to improve the quality of local governance in post-conflict states. However, local governance reforms often run up against obstacles created by politics, institutional context, and social dynamics (Hadiz 2007). This paper uses new institutionalism and original data collected in the field on local government performance to explain the varying results of reforms to improve local governance in six similar municipalities in BiH between 2005, when reforms were initiated, and 2010.

Drawing on new institutionalism, we expect the interaction between locally distinct, informal rules and newly proposed rules, as well as local leaders' mediation of this interaction, to affect aid's impact on local government performance. While international reforms offer similar rules, albeit of varying comprehensiveness, to improve performance, local leaders, particularly mayors, decide whether to put into practice these rules and about their interaction with old ones. Leaders who perceive benefits from reforms and who face weak opposition to reforms are more likely to implement new, pro-reform rules and to keep only those old informal rules that are complementary. In contrast, leaders or administrators who lack the conditions above are more likely to leave on paper reformist rules and maintain old, informal ones incongruent with reform.

This study moves beyond analysis of reforms adopted on paper and implementer-produced data on reforms to understand how institutional reforms work in practice and explain their impact on performance. Local actors' views and objective data on local governance processes and outcomes demonstrate that informal rules often thwart internationally proposed reforms intended to improve democratic government performance. More specifically, local government performance in our cases realized varying degrees of incremental improvement because newly proposed reforms, regardless of how well designed or comprehensive, are frequently only partly implemented, running up against antagonistic, locally distinct norms and moderately strong local opposition to reform.

After outlining the country context for local government reforms, we discuss new institutionalist literature on municipal governance and international efforts to promote democratization. We describe how we investigate propositions rooted in new institutionalism and then briefly depict incremental improvements in our case municipalities' performance. We explain why some municipalities improve their performance more than others through depicting the divergent trajectories of reform in two pairs of similar municipalities.

Country Context

BiH is an important case for studying externally led efforts to improve local governance, which is considered an important component of international efforts to rebuild inclusive and effective states in post-conflict societies (UNDP 2009). After the internationally promoted Dayton Peace Accords that ended the 1992-5 war, BiH engaged in decentralization and a slow process of democratization. With a weak state-level government, BiH's two entities – the Federation BiH (hereafter: the Federation) and the Republika Srpska (hereafter: RS) – were vested with significant decision-making powers. In the Federation, power is further divided

between the entity level and ten cantons,¹ while the RS lacks a regional level of government. The state contains 143 local government units.²

BiH has come a long way from a socialist system where municipalities had substantial competences and autonomy to execute, but were merely an extended hand of one-party control (Jogan 1992). Today, municipalities in BiH are politically and administratively autonomous governmental units with own competences and revenue-raising powers. Multiparty elections have regularly occurred since Dayton; municipal councilors have been directly elected since 1997, and mayors have been directly elected since 1999 in the RS and 2004 in the Federation. Municipalities provide administrative and communal services, are in charge of spatial and development planning, and have specific duties in some sectors under the jurisdiction of higher levels of government, such as education, social welfare, and health. Competences at the municipal level differ only to a minor degree between the two entities, which are responsible for legislating in the area of local governance.³

There is a bigger difference across entities in the relationship that municipalities have with higher levels of government. Due to its centralized nature, the RS's sectoral ministries have a greater influence on local government finance, authorizing municipalities' annual budgets and borrowing requests. In the decentralized Federation, municipalities interact more frequently with the canton than with the entity.

Partly because of international prodding, local government laws in BiH basically respect the provisions of the European Charter on Local Self-Government (CLRAE 2012).⁴ Nevertheless, municipalities still face problems. They are expected to perform a "monotype" set of functions, despite substantial differences in territory, population, and administrative and fiscal capacity (Miovcic 2007). That local government competences are frequently far from full or

exclusive, in practice being challenged either by the entities or cantons (CLRAE 2012, 72) weakens municipalities.

Current local reforms in BiH have been driven by international donors, who have provided financial, technical, and policy support.⁵ In the past 20 years, donors offered municipalities a myriad of programs of different scopes focused on improving local government capacity and performance. These topics range from fiscal management and development planning to e-governance, and improvement of service delivery, accountability, and citizen participation. But how effective is such assistance?

Theoretical Frame

We seek to explain the varying impact of international intervention on change in local government performance. To do so, we employ the theoretical approach of new institutionalism. March and Olsen (1989) argue attention to financial resources is not enough to explain variation in reform; instead, institutions matter. New institutionalism posits that institutions, which can be defined as “rules, structures and norms that create and enforce cooperative behavior among individuals and groups” (Davies and Trounstone 2012, 52) influence the outcome of reform. Moreover, actors and their interaction with institutions need to be considered in order to understand the processes of institutional change (Cerami 2009, 37-38). In unsettled times, like post-conflict BiH, purposive action by local leaders may be particularly important in changing governance (Katznelson 2003, cited in Streeck and Thelen 2005, 7).

Because studies of reform and the international role in reform suggest that both actors’ self-interest, norms, and the nature of existing institutions affect reform outcomes, we combine rational choice, sociological and historical approaches to new institutionalism.⁶ We expect new rules’ interaction with informal norms and local politicians’ mediation of reform (Jacoby 2004,

33) to shape the extent of improved local government performance. We conceptualize our dependent variable of good local government performance to include the dimensions used by Grindle (2007a)--efficiency, effectiveness, accountability and development orientation-- and to add equity, which is considered important in diverse societies (UNDP 2009). Informal and formal rules empower some and constrain other behavior important for local government reform (Ostrom 1999, 37-8). While we focus on new rules promoted by international officials that are formal, such transparent, merit-based rules for allocating funds for capital investment projects, we focus on local rules that are informal or unwritten norms, such as patronage. Scholars have found informal rules, including those inherited from socialism, as enduringly important for governance in post-socialist Eastern Europe (Helmke and Levitsky 2004; Dawson and Hanley 2016; Mungiu-Pippidi 2016). Two aspects of new rules may affect the ability of international actors to support improved performance: their congruence with informal rules (Helmke and Levitsky 2004; Edelenbos 2005) and their density, which reflect the extent and specificity of donors' demands (Jacoby 2004).

The expected reform outcomes resulting from the interaction of internationally proposed rules with different types of informal, locally distinct rules are depicted in Table 1, which is adapted from Helmke and Levitsky (2004, 728).

Table 1 here.

When new and old rules are incongruent (lower left), such as when new rules advocating merit-based allocation of aid for civil society groups bump up against informal rules creating opportunities for patronage, then new rules may be adopted “on-paper” only, harming performance (lower right). This harm can be made worse by strong opponents to reform among local council persons and local business elites. In the opposite local institutional environment,

new rules could be congruent enough with informal rules so as to more easily replace norms, thus significantly improving local government performance. Or, if new rules complement locally distinct rules that already encourage performance (top left) then their harmonious coexistence could substantially improve performance (top right). This allows for two pathways to achieving improved performance and does not assume that informal rules undermine performance: by co-existence of complementary new and informal rules or by new rules replacing informal rules. Significant reform can be reinforced by local coalitions of supporters of reform (Goetz 2005, Mungiu-Pippidi 2016) or by weak local opponents of reform (Jacoby 2004). In a middle ground institutional environment, in which new and informal rules are only partly congruent, these rules could antagonistically coexist (middle left), leading to only modestly improved performance (middle right). Modest improvement is reinforced when new rules confront similarly strong local supporters and opponents of reform. Finally, the density of rules –their number and level of definition and detail (also Streeck and Thelen 2005, 15) -- promoted by international donors should affect their implementation. The greater the number of clearly defined, detailed, and complementary rules rooted in international best practices that are promoted by donors, the less wiggle room local officials should have to get around them.⁷

We expect that international efforts to improve local government performance will be most successful in places where internationally proposed new rules are congruent with or complementary to informal, locally distinct rules that promote good performance; are dense, and are not opposed by strong local elites.

In terms of the results of change in governance institutions, interactions between old and new rules may ultimately produce either continuity or gradual transformation of institutions (Streeck and Thelen 2005, 8-9).

The principles that international programs for local governance reform promote – such as efficiency or transparency – are generally valued in governance literature. However, our research does not assume that all internationally-promoted practices in the realm of local governance in BiH have necessarily been the best options for reform in the studied sites. Indeed, scholars of governance seeking to explain why internationally sponsored reforms often fall short of their aims (Grindle 2007b, Andrews 2013) found that other approaches may have been more congruent with informal rules and the wider local context, and thus more effective.

Index Design and Research Methods

The first step in understanding how and why local government performance has improved to a varying extent is to measure local government performance over time. To do so, we measure the five dimensions of local government performance through 15 indices that we tailored to local government practices and BiH laws (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.

A case study approach, like our three sets of pairwise comparisons, promotes a deep understanding of local government reforms. It allows us to use qualitative methods, like interviewing and observation, which are suited for uncovering the interaction between often hidden informal rules (Ostrom 1999) and new rules pushed by international donors. It also facilitates triangulation on indicators that cannot easily be measured.

Because local governance reform in BiH has been driven by international donors and because the extent of international aid for local government reforms affects the density of rules,

we selected cases which are similar along many characteristics but vary according to the extent of international aid. Our case selection criteria revolved around controlling for population and financial resources, while seeking a distribution across major regions of BiH. The systematically selected six municipalities have similar medium-sized populations and fiscal capacity⁸ and are distributed across BiH (map). Because ethnic diversity often complicates governance (Habyarimana et al., 2009), the six municipalities are organized into three pairs. Two pairs of municipalities had one party claiming to represent an ethnic minority in the local legislature, one pair in the Federation and one in the RS. The third pair had multiple parties claiming to represent the ethnic minority in their local legislatures in the Federation.

To avoid the bias that results from studying reforms in only those municipalities that have received comprehensive international aid,⁹ we controlled for the factors above and then selected municipalities that had received only “narrow” aid and compared them to three municipalities that received “comprehensive” aid.¹⁰ By narrow assistance we mean aid programs that focus on a particular component of local governance, such as development planning.¹¹ By comprehensive aid, we mean projects that are broad-based and address multiple dimensions of local governance,¹² which should increase the density of rules promoted. Municipalities included in our pairs are, listed from those receiving comprehensive to narrow aid between 2005 and 2010 are: Vitez and Gornji Vakuf Uskoplje; Konjic and Čapljina (both in FBiH), and Modriča and Novi Grad (in the RS) (Table 2).

Table 2 here.

To describe and explain change in performance, we gathered data in these pairs of 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. We collected

information on dimensions of our performance index through interviews, observation of one-stop shops and public hearings, municipal websites, a freedom of access to information (FOIA) test, audits, and laws.

We investigated the interaction of informal and new, formal rules during our field research rather than prior to it because as Ostrom (2011, 21) argues, intensive, participatory research is needed to uncover informal rules. More specifically, we analyzed 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 conducted structured interviews of mayors,¹³ municipal administrators, municipal legislators, international donors' staffers, NGO leaders seeking to improve local governance,¹⁴ and leaders of local communities, the lowest territorial unit (*mjesne zajednice*, MZs).¹⁵ In total, we interviewed 55 stakeholders in local governance, who generated over 500 pages of testimony.

Opposition to reform rules, which may not always be explicit, can arise from several sources, including from members of political parties in the local legislature or higher levels of government that do not align or exist in coalition with the mayor's party, from local administrators, and/or from local business or cultural leaders. To explore the strength of domestic elites opposed to reform, we analyzed interview testimony from different stakeholders about mayors' work on reforms with municipal councilors, higher level officials, local civic groups, local business leaders, and international donors. Local election results in 2004 and 2008 and NGO reports on local political dynamics were also examined. Data from interviews, archives, and websites depict the role of civil society activity. We used the qualitative data-analysis program NVivo (Scolari 2010) to help interpret testimony of stakeholders. NVivo

allows us to collect systematically, across sources and within context all evidence on local government performance and factors that may 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 Index's dimensions (Appendix 1) on a 0-3 scale.¹⁶ We found that all six municipalities improved to varying degrees their performance over the five year period (Table 3).

Table 3 here.

Contrary to our expectations, the extent of international intervention and corresponding density of rules promoted fail to explain the extent of *change* in performance between 2005 and 2010. The comprehensive intervention municipalities, which received the largest amount of aid, aid addressing the most dimensions of local governance, and aid demanding the adoption of dense rules, all performed at a higher level than those receiving narrow aid. But not all municipalities receiving comprehensive assistance achieved greater improvement in performance in comparison to those receiving narrow assistance. Two municipalities receiving comprehensive intervention (Konjic and Modriča) made more progress than their counterparts receiving narrow intervention (Čapljina and Novi Grad, respectively). Yet one municipality receiving narrow intervention—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

Field research uncovered the differing configurations of internationally proposed rules and informal rules and the varying degrees of local opposition to reform across localities that influenced government performance. We first discuss the configurations of rules and then describe how they are mediated by different levels of local opposition to new rules.

In considering Helmke and Levitsky's (2004) expectations for possible interactions between internationally proposed rules and different types of informal, locally distinct rules, our research found that new pro-reform rules did not fully replace informal rules in any municipality. Given new institutionalism's discussion of the challenges to achieving substantial institutional reform, this is not too surprising. It suggests many new reforms were not congruent with old practices. Modriča and Novi Grad adopted new rules that were complementary with some old rules that improved governance *output* and thus performance, albeit not democratic decision-making *processes*. However, in all municipalities except Čapljina, pro-reform rules were partly implemented, clashing with partly to mainly incongruent informal norms (middle row of Table 1). This meant that change was incremental. Of these cases, local actors in Gornji Vakuf Uskoplje and Konjic did more to replace antagonistic norms with new rules, while those in Vitez, Modriča, and Novi Grad did less. Čapljina's leaders left pro-reform rules "on-paper" only (bottom row of Table 1).

The varying configurations of new and informal rules are illustrated by improvement in an indicator of efficiency (dispersal of funds for civil society) and an indicator of accountability (citizen participation in local decision-making) (supplemental appendix tables 1.2 and 3.3, respectively, available on the author's website [url will be provided]). Non-transparent practices antagonistically co-existed with and overrode newly proposed public rules on merit to determine most municipalities' dispersal of funds for civil society. 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.¹⁷

Examples of norms still used that undermined accountability include opaque practices that allowed the municipality's political leaders the discretion to overpower newly proposed rules for increased citizen participation in local governance. Čapljina was the only municipality that did not hold public hearings on the draft budget, maintaining old norms for political control over budgeting. But other municipalities constrained participation in hearings through whom it informed, when and how it did so, and the content of information provided. But local leaders failed to extend citizen observation of decision-making to citizen input into decision making. When asked to provide an example when citizen input altered the draft budget, administrators could not name one. They blamed political parties' self-interested behavior for blocking citizen input. Informal rules protecting incumbents' power undermined the meaningfulness of citizen participation.

It seems logical that those municipalities that faced weaker opposition to reform would make greater strides in improving performance than those municipalities with stronger opposition to reform. But what was not apparent until field research were the kinds of local environments in which local leaders faced little opposition to reform. Somewhat surprisingly, this was not related to the competitiveness of the elections for mayor or local legislators.¹⁸ Instead, the first environment is where opposition was weakened by newly elected local elites more interested in reforms. The second is where potential opposition has gone along with reforms as long as they do not interfere with the practice of "politics as usual" in areas of local governance that could threaten incumbent power. We illustrate these patterns below in two pairwise cases.

Configurations of Pro-reform and Informal Rules and their Mediation by Local Actors in Two Pairs

A closer look at several pairs of cases-- Novi Grad and Modriča in the RS and Vitez and Gornji Vakuf Uskoplje in the Federation-- illustrates how distinct configurations of new and informal rules and extent of local opposition to reform explain varying levels of improved performance better than the extent of assistance.

Illustrating Improved Performance in One Pair of Cases in The RS.

As mentioned, our research revealed most municipalities allowed for reforms to exist alongside old rules that were partly antagonistic and partly complementary to reforms (Table 1, middle row). In Novi Grad, which received narrow aid, interviewees provided examples of how the uneasy co-existence of pro-reform and some anti-reform norms resulted in incremental improvements in performance. In contrast, its counterpart, Modriča, which received comprehensive aid, did more to implement pro-reform rules. For example, while Novi Grad had adopted on paper reforms using merit for dispersing funding for capital investment and civil society projects, even municipal administrators admitted these needed to be supplemented by rule book changes in order to result in more equitable funding decisions. Modriča's process for disbursing aid for civil society, if not capital investment, projects was considered more equitable.

Beyond rules for capital investment distribution, Modriča put into practice far more extensive rules to promote accountability than Novi Grad. Novi Grad accepted reforms that increased information for citizens. But these new rules clashed with enduring old ones that limited citizen input into decision-making, such as holding mayor's office hours or public hearings beyond those on the budget. Access to local assembly sessions was limited by lack of advanced notice and by requiring citizens to issue a request in order to attend. In a case where an

old rule undermined reforms intended to empower citizens, an administrator in Novi Grad acknowledged 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 adopt the initiative. Illustrating the vulnerability of internationally proposed rules that are antagonistic to leaders who seek to control funds, Novi Grad initially adopted, and later dropped, after aid ended, a donor supported local assembly committee to scrutinize budgets. In contrast, Modriča included outside citizens on committees allocating funds for civil society organizations and formulating its local development strategy. Modriča's mayor met citizens each workday for an hour. Its administrators 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 Modriča's website 2-5 days before assembly meetings, resulting in 100-150 persons attending.

Drawing on work by Jacoby (2003), Streeck and Thelen (2005), and Cerami (2009) on the balance of local actors' opposition to and support for reforms, those municipalities where leaders faced weak opposition to reforms and/or developed informal coalitions supportive of reform were most likely to meaningfully implement new rules and make greater improvements in performance. Indeed, local leaders, particularly mayors', skills to get acquiescence to or support for reforms, interacted with potential or actual local opposition to reforms by preempting, blunting, winning over, or overcoming local opponents to reform. In contrast, less skilled mayors were not able to weaken or win over local opponents to reform. For example, there existed higher levels of opposition to reform in Novi Grad than in Modriča. This opposition did not come from higher levels of governance, since both Novi Grad and Modriča's mayors belonged to the ruling party in the RS entity and used these close party-line ties within

BiH's hierarchical parties (Vuletić, 2005) to obtain support for reforms from the entity government. Instead, it was locally based obstacles that Novi Grad's mayor confronted. Novi Grad's mayor had her plate full, having come to power only in 2008 after ousting a mayor from a competing party who had faced an attempt by the local council to remove him. She seemed to be laying the groundwork for developing an informal coalition in support of reforms. This was illustrated by her practice of engaging in private consultations with local councilors prior to discussion of a sensitive issue in an open council session, which built bridges to councilors supportive of change.¹⁹ Novi Grad's mayor also brought in allies of young and enthusiastic staff, who helped her do what Streek and Thelen (2005) describe as take advantage of new opportunities to bring about institutional change through implementing reforms, attracting investment, and participating in internationally sponsored development projects.

But as an example of the substantial leg work that Novi Grad needed to do to build the foundations for producing better government performance, its mayor and staff had, at the end of our fieldwork, just completed work with a donor to introduce local communities (MZs), which are intended by reformers to improve citizens input and capital investment. In contrast, Modriča had long been working with and reaping the rewards of MZs. Also, Novi Grad's new mayor did not deepen reforms on efficiency and accountability dimensions as much as Modriča's mayor. This appeared to be due to the recent shift in political power, which made it more challenging to weaken opposition from assembly councilors belonging to her predecessor's party and support from only a recent, new cohort of administrators.

In contrast, Modriča's multi-term mayor appeared to blunt already weak political opposition in two ways. First, Modriča allowed politics as usual in several areas. 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. Modriča's mayor also single-handedly, rather than transparently and collaboratively, decided about investment in small business initiatives. This is an example of where locally distinct, hierarchical rules could complement newly proposed rules to improve performance. Second, he strengthened his long-term outreach to businessmen, regional development organizations, local council persons, and international donors, the latter offering support for administrative reforms. This allowed Modriča's mayor to rely on a highly competent administrative staff whom interviewees suggested adopted a progressive administrative culture to implement new rules and improve performance.

Illustrating Improved Performance in One Pair of Cases in the Federation.

Our most surprising finding was that Gornji Vakuf Uskoplje, which received only narrow aid, put into practice more substantial pro-reform rules than its counterpart, Vitez, which received comprehensive aid. Vitez took steps to reform that did not risk political power, such as ensuring high quality service in its one-stop citizen services shop. Other new rules adopted resulted in improving citizen access to regularly updated information about the work of the municipality through its website and public offices. But, proposed reforms for allocation of funding remained largely superficial, with interviewees questioning the equitable nature of the municipality's distribution of funding for capital investment and civil society projects. A donor blamed "mentality, years-long habits, and councilors' lobbying" for this. Vitez held a hearing on the draft budget that was "public" only to local community leaders, who we observed complained even during that time that their voices were limited. The municipality also provided little information in its budget execution report. This emphasizes the clash between locally held norms of patronage and internationally promoted rules of transparent, merit-based project funding. An interlocutor credibly argued that Vitez went through the motions of development

planning, “placing in a drawer to gather dust” its plan afterwards.²⁰ Informal practices, such as the mayor’s unwillingness to hold office hours for citizens, also constrained citizens’ ability to provide input. In another example that illuminates how old norms of political control over decision-making overpowered Vitez’s implementation of citizen participation mechanisms advocated by donors, a decision of its administrators to approve a citizen proposal to alter the draft budget was overridden by politicians in the local budget commission.

Despite receiving only narrow aid, Vitez’s counterpart of Gornji Vakuf Uskoplje translated reforms 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. Compared to Vitez, interviewees in Gornji Vakuf Uskoplje noted a less glaring gap between the equitable processes on paper for distributing capital investment and civil society groups and outcomes. 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 took extraordinary efforts to regularly inform citizens about its activities. Interviewees spoke about “full hallways of people” during the mayor’s office 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. As a sign of its acceptance of the donor advocated norm of co-existence, 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) (supplemental appendix, table 5.3, see: [url will be provided]).²¹ Years of international pressure to integrate the formerly divided municipality, the economic pain of sanctions, and a successful calculation that

integration would result in aid for local reforms that improve the municipality leaders' popularity likely contributed to replacing the old norm of ethnic dominance with equity.

The example above of the varying results of proposed rules promoting equity within local public institutions illustrates how local actors both supportive of and opposed to reform shape the interaction of old and new rules, which in turn affects the outcome of efforts to improve local governance. In Vitez, the mayor himself presented opposition to reforms. Rather than reach out to potential allies to accelerate reform, the mayor blamed a slew of others for slowing improvements in performance. This included power-hungry higher level government officials, a typical excuse made by mayors in the Federation, where the added layer of the canton made obtaining support for reforms more challenging than in the centralized RS. Vitez's mayor also criticized close-minded municipal councilors; local community leaders ungrateful for capital investment; self-interested international organizations; and needy citizens and businesspersons who wanted him to accomplish things that were beyond his competences. Not surprisingly, stakeholders reciprocated these negative assessments. Several held the mayor responsible for failing to implement internationally sponsored reforms after monitoring of these reforms ended.

In contrast, the mayor of Gornji Vakuf Uskoplje elected in 2008 was judged as genuinely interested in reform and adept at forming informal coalitions that countered anti-reform forces and contributed to its substantial improvement in government performance. The mayor, who followed a mayor whose work was largely blocked by local councilors from opposing parties, supported the administrative integration of the previously ethnically divided municipality. Stakeholders viewed the mayor as a young, practical, and energetic leader who launched productive initiatives for reform and who engaged in inclusive decision making. Consistent with Streek and Thelen's (2005) expectation of how local actors can work as change agents, the

mayor “missed no opportunity” to participate in international projects for local development and reform that had been previously off limits due to sanctions imposed on the divided municipality. Perceived by some interlocutors as belonging to the technocratic wing of his party, the mayor obtained support from the regional economic body and from government ministers while simultaneously resisting pressure from higher-level party leaders to prioritize its narrow ethnic party’s interests over local concerns of the municipality’s mixed population. Multiple interviewees confirmed his assertion that he “has no 9-5;” is accessible; and spends time working in the field in order to understand citizens’ problems. Furthermore, the mayor consulted multiple political parties in the local legislature in an effort to make ethnically balanced decisions about capital investment, which appeared to mute opposition.

Conclusion

Exploring propositions from new institutionalism against data independently gathered in the field in three pairwise cases of BiH localities suggests both reasons why most municipalities achieved only incremental improvements in performance and the conditions under which municipalities can best use aid to improve performance. Consistent with historical and sociological institutionalism, one factor that inhibited substantial reform of case municipalities was the stubborn norm of patronage, whose roots go back to socialism and beyond. Patronage clashed with and undermined implementation of internationally supported norms of accountability and equity. Indeed, following our field research, grass-roots protests occurred in winter 2014 over the social inequalities that were produced by such poor governance in regional and some local governments in BiH (Perry 2015). But while patronage can help explain why improvements were mainly incremental, it fails to explain the variation in improved government performance.

Neither can the extent of international assistance, which is tied to rule density, explain differences in improved performance. Instead, local actors mediated the implementation of donor-proposed rules and their interaction with old rules. In the municipalities that made the greatest improvements, these new rules could interact with old rules in two configurations, with the first being the more common: 1) new rules predominating over remaining informal rules that undermined performance or 2) new rules co-existing with some complementary old rules focused on the *outcome* of, rather than the democratic process encouraging, improved performance. In municipalities that made tiny improvements, new rules and antagonistic old rules that protected incumbents uneasily co-existed side-by-side. The interaction of rules were mediated by local leaders and administrators, only some of whom were able to create the incentives or space to overcome opposition to reform.

Against our expectations about challenges to reform posed by less dense rules associated with narrow aid, Gornji Vakuf Uskoplje's new local leaders and administrators put into practice new rules that predominated over old practices that had undermined performance across local governance dimensions. The mayor weakened reform opponents and stressed the functioning of new rules partly by building an informal coalition of local stakeholders that interviews suggested considered reform as good both for citizens and for them. Just how intra and inter-party political dynamics and other factors in Gornji Vakuf Uskoplje came together to provide opportunities to reduce opposition to reform deserves further investigation. Despite receiving comprehensive aid, its counterpart Vitez allowed old practices to undermine new rules and failed to maintain even loose coalitions supportive of reform. The resulting meager improvements in performance likely contributed to the mayor's ouster in 2012.

In the short to medium term, this incremental process of change likely results in continuity of governance institutions (Streek and Thelen 2005). However, over a longer period of time and *if* it is nurtured by reformers, incremental change can accumulate and bring about gradual transformation of governance institutions.

Our field research suggests that donors promoting better local governance pay more attention to how locally distinct informal rules interact with new rules they propose and how local actors mediate that interaction and affect reform outcomes. Supporting more effective and self-sustaining local governance would require taking a longer-term, locally rooted approach.

Our findings could be tested in other post-conflict developing countries that have received substantial international aid for local democratic governance. Better understanding informal practices in local governance requires intensive field work in municipalities. Such research should include in-depth observation in order to tease out these often invisible local norms, how and why they are maintained or changed, and the timing and opportunities for forming progressive local coalitions that can counter opposition and promote 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 clarity and 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: Interaction between Internationally Proposed New Rules and Informal, Locally Distinct Old Rules and its Impact on Reform Outcomes

| Interaction between New Rules and Old Rules | | Configuration of New Rules and Old rules | OUTCOMES OF LOCAL GOVERNANCE REFORM |
|--|---|--|---|
| Congruent or Complementary | → | New rules replace old ones or New rules complement old ones | → Substantially improved performance |
| Partly congruent | → | New rules co-exist alongside old rules, some are antagonistic and some are complementary | → Modestly improved performance |
| Incongruent | → | New rules, which are antagonistic to old ones, are not adopted in practice | → Little to no improved performance |

Table 2: Six Case Municipalities in Bosnia-Herzegovina

| | Extent of minority representation in the local council in: | | |
|--|---|--|--|
| | The Federation | | Republika Srpska |
| | High | Low | Low |
| Extent of International Intervention: | | | |
| Comprehensive* | <p><u>Vitez</u></p> <ul style="list-style-type: none"> An ethnically mixed municipality in Central Bosnian Canton known for its vibrant small business activity Ethnic party of the mayor & dominant local council is different than that dominating the Cantonal Government from 2007-10 (in 2005-06, canton was evenly divided) Population size/mean ratio: .85 GDP per capita/mean ratio: 1.1 International projects implemented: USAID's and SIDA's GAP, OSCE's MAP, OSCE's UGOVOR, different modules of OSCE's Local First | <p><u>Konjic</u></p> <ul style="list-style-type: none"> A Bosniak- dominated municipality in the Herzegovinian-Neretva Canton with an economy helped by hydroelectric power but burdened by moribund industry Ethnic party of the mayor & dominant party of local council is different than that dominating the Cantonal Government from 2005-10 Population size/mean ratio: .96 GDP per capita/mean ratio: 1.0 International projects implemented: USAID's and SIDA's GAP, OSCE's MAP, OSCE's UGOVOR, different modules of OSCE's Local First | <p><u>Modriča</u></p> <ul style="list-style-type: none"> A Serb-dominated municipality in the North West with a mayor known for encouraging business entrepreneurs Ethnic party of the mayor & dominant party of local council is the same as that dominating the Entity Government from 2007-10 Population size/mean ratio: .1.17 GDP per capita/mean ratio: 1.09 International projects implemented: USAID's Northeast Bosnia Local Government Support Activity, Swiss MDP, OSCE's MAP, OSCE's UGOVOR, different modules of OSCE's Local First |
| Narrow** | <p><u>Gornji Vakuf Uskoplje</u></p> <ul style="list-style-type: none"> An ethnically mixed municipality in Central Bosnia Canton whose newly elected mayor in 08 is eager to overcome ethnic division and a struggling economy Ethnic party of mayor & council is the same as that dominating the Cantonal Government from 2007-10 | <p><u>Čapljina</u></p> <ul style="list-style-type: none"> A Croat- dominated municipality in the Herzegovinian-Neretva Canton with an economy benefiting from tourism but politically suffering isolation Ethnic party of the mayor & dominant party of local council is the same as that dominating the Cantonal Government from 2005-10 | <p><u>Novi Grad</u></p> <ul style="list-style-type: none"> A Serb-dominated municipality in the North East whose newly elected mayor in 08 is credited with opening up the locality Ethnic party of the mayor & dominant party of local council is the same as that dominating the Entity Government in 2005-6 and 2009-10 |

| | | | |
|--|--|---|--|
| | <ul style="list-style-type: none"> • Population size/mean ratio: .65 • GDP per capita/mean ratio: .83 • International projects implemented: OSCE's MAP, different modules of OSCE's Local First | <ul style="list-style-type: none"> • Population size/mean ratio: .78 • GDP per capita/mean ratio: 1.13 • International projects implemented: USAID's and SIDA's GAP (recently started) | <ul style="list-style-type: none"> • Population size/mean ratio: 1.25 • GDP per capita/mean ratio: .95 • International projects implemented: OSCE's UGOVOR, OSCE's MAP, different modules of OSCE's Local First |
|--|--|---|--|

*See endnote 12 for project descriptions classified as “comprehensive” assistance

**See endnote 11 for project descriptions classified as “narrow” assistance

Table 3: Change in Index of Local Government Performance between 2005 and 2010*

| Municipality | Improvement in Local Government Performance between 2005 and 2010 | | | | | |
|---|--|----------------------------------|------------------------------------|--------------------------------|----------------------|--|
| | Efficiency (out of 12) | Effective- ness (out of 6) | Accountabi- lity (out of 12) | Develop- ment (out of 6) | Equity (out of 9) | Sum change in Index |
| Vitez (comprehensive) | 7.00 | 1.00 | 3.00 | 0 | 0 | 11.00 |
| GVU (narrow) | 5.00 | 2.00 | 6.00 | 4.00 | 5.00 | 22.00 |
| | | | | | | |
| Konjic (comprehensive) | 5.00 | 1.00 | 4.00 | 1.00 | 1.50 | 12.50 |
| Capljina (narrow) | 3.00 | 1.00 | 1.00 | 1.00 | .25 | 6.25 |
| | | | | | | |
| Modrica (RS) (comprehensive) | 5.00 | 1.00 | 4.00 | 0 | .50 | 10.50 |
| Novi Grad (RS) (Narrow) | 3.00 | 1.00 | 3.00 | 0 | 2.50 | 9.50 |

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

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Notes

¹ 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.

² Local government units are towns and municipalities. There are 12 cities and 131 municipalities in the two entities and the Brčko district.

³ In the Federation, local governance is considered a shared jurisdiction between the cantons and the entity.

⁴ The RS Law on local self-government (2004) and the Federation Law on principles of self-government (2006).

⁵ As an illustration, donor assistance in the field of local governance amounted to 9.6 million euros in 2010 and 8.4 million euros in 2011 (Ministry of Finance BiH 2012, 75).

⁶ Scholars have combined different strands of new institutionalism (rational choice, sociological/constructivist, and historical) to explain governance outcomes in Europe (Fagan and Sircar 2015; Lowndes et al., 2006; Jacoby, 2004; Schimmelfennig, 2003).

⁷ Though the quality of rules may have affected the extent of implementation of different rules promoted, we were not in the position to evaluate the quality of the content of programs in the course of their delivery.

⁸ Municipalities were within 15 % of the estimated average GDP/capita, our measure of fiscal capacity (Republika Srpska Institute of Statistics 2011b; Federal Office of Statistics 2011a.) and had a medium sized population by each entity's criteria (Federal Office of Statistics 2011a-2011c; Republika Srpska Institute of Statistics. 2011a-2011b).

The lack of a post-war census in BiH at the time of field research complicated efforts to control precisely for fiscal capacity and population. Another challenge for case selection was that taking into account one factor, such as ethnic diversity, sometimes meant that cases selected fit across the full range of the 15% variation of fiscal capacity.

⁹ We could not use Random Control Trials to isolate the impact of international aid because all of Bosnia's medium-sized, diverse municipalities had received some kind of international aid.

¹⁰ We undertook substantial research 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 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 particular aid projects.

¹¹ Narrow reform projects included OSCE's Municipal Administration Reform Programme (MAP) (2004-2008), UGOVOR (2005-2009), and Local First projects (2009 – 2012); UNDP's Rights-Based Municipal Development Programme (RMAP) (2002-2009) and Integrated Local Development Programme (ILDLP) (2009-2016), UNDP's Reinforcement of Local Democracy (LOD) project (2009-2016), or the early stage of a comprehensive program described below. UGOVOR's different modules included the development of: a FOIA process, an ethics code for councilors, a strategic planning committee, a development strategy, a revised statute and council rulebook, and a partnership strategy with citizens. MAP also contained different modules that tackled human resources and public finance management. Municipalities could choose from Local First's different modules: community engagement, strengthening the capacities of councils, increasing management and accountability through budget transparency or respect of FOIA, inter-municipal learning, or strengthening communications. RMAP and ILDP focused on the creation of local development strategies. LOD promoted transparent rules for NGO financing.

¹² Examples of comprehensive programs include USAID's and SIDA's Governance Accountability Project (GAP) (2005-2012) which 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), focused on similar dimensions; and the Swiss government's Municipal Development Project (2004-2012), which also focused on broad-based good governance reforms, including development and spatial planning, creation of one-stop shops, and boosting citizen participation.

¹³ In two cases where the mayor was not available for an interview, we interviewed the mayor's deputy instead.

¹⁴ We interviewed activists with local NGOs that were registered as associations with one legal entity, whom we could contact, and whom we verified through publicized projects, budget records, and/or donors as active. Data on NGOs allowed us to probe whether differences in local civic activism influence change in performance.

¹⁵ During our research, *MZs*, which existed during socialism, were required in the Federation, but not in the RS. They are led by representatives, who are selected by varying means and who articulate citizens' request for capital investment to municipal governments. We spoke with *MZ* representatives from communities varied in their ethnicity and territorial distribution.

¹⁶ For coding of indices of dimensions of our Municipal Government Performance Index, see on-line supplementary appendix [url will be provided].

¹⁷ Such practices help explain why we found no systematic relationship between local government performance and civil society activism for good governance, which Western donors have had challenges promoting (Fagan 2013). Research conducted by OSCE in 2010 found that municipalities allocated 70% of their funding to civil society organizations focused on war-related associations, sports clubs, and cultural organizations (Perry 2015, p. 22), organizations that often do not propose projects or report on activities. Also, only a handful of local NGOs were active in any of our case study municipalities. There was no substantial variation in the number of NGOs across our municipalities. Interviewees regarded local NGOs as having little to no impact on local governance.

¹⁸ Empirical work on the impact of competitiveness of local elections on local government performance is mixed (Grindle 2007a, Lambright 2011), but tends toward a positive impact (Hulsey 2010, Berliner 2016). Our study found no systematic relationship between improved local government performance and competition for the mayor (margin of victory) or competition for the local legislature (effective number of parties). While the mayor of the municipality with the greatest improvement – GVU – won by the smallest margin of victory of our cases in 2008, all other mayors' margin of victories were unrelated to their municipalities' improvement in performance. In addition, the case with the greatest local legislative competition in 2008 and the second greatest increase in political competition between 2005-2010 of our cases—Čapljina—exhibited the smallest improvement in local government performance. Political peculiarities in Bosnia, including factions within parties and the intra-ethnic nature of political competition, which limits incentives to improve equity, weaken the potential for political competition to improve governance.

¹⁹ This practice of non-transparent consultation, while praised by a councilor representing an ethno-national group different from the mayor, 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.

²⁰ Our research suggests that municipal administrations' strategies of formulating development plans through either outsourcing to consultants or tackling on their own were not effective.

²¹ The fact that Gornji Vakuf Uskoplje and Vitez have segregated shifts in its public schools shows limits to the norm of co-existence.