Report

Assessing the relevance of the Swiss local governance portfolio in Bosnia & Herzegovina

To the attention of:
Embassy of Switzerland in Bosnia and Herzegovina

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List of abbreviations

AMC	Association of Municipalities and Cities
BAM	Bosnia and Herzegovina convertible mark
BD	Brčko District
BiH	Bosnia and Herzegovina
CeE	Council of Europe
CSO	Civil Society Organization
DPA	Dayton Peace Agreement
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
GIZ	Gesellschaft für Technische Zusammenarbeit
ILDP	Integrated Local Development Planning project
LGBTI	Lesbian, gay, bisexual, transgender, and intersex
LGI	Local Government Initiative
MEG	Municipal Economic and Environmental Governance project
MZ	Mjesne Zajednice
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OHR	Office of the High Representative
OSCE	Organization for Security and Cooperation in Europe
PSA	Public Service Agreement
RS	Republika Srpska
SALAR	Swedish Association of Local Authorities and Regions
SDG	Sustainable Development Goal
UNDP	United Nations Development Program

1 Background and methodology

In November 2019, the Embassy of Switzerland in Bosnia and Herzegovina will start planning its Cooperation Program for the years 2021-2024. In preparation for this, the Embassy of Switzerland commissioned a study to assess the relevance of the Swiss engagement in supporting local governance and related reforms in the country. Based on this assessment, a concept note on the future Swiss engagement in the sector will be elaborated.

The specific objectives of this study were to (i) assess the relevance, main achievements, limitations and challenges of the Swiss local governance portfolio and (ii) assess the potential do diversify strategic partnerships in the local governance portfolio, including with civil society organizations.

The concept note for the future Swiss engagement as well as a short study on the coherence and complementarity of approaches of support provided by the donor community in selected local government units in the country will be elaborated in separate documents.

The Embassy of Switzerland in Bosnia and Herzegovina engaged Matthias Boss from swisspeace and Snežana Mišić Mihajlović an independent consultant, to conduct this assessment and to develop the Concept Note.

This assessment was based on (i) a desk study of relevant Swiss local governance portfolio documents, thematic and context studies; (ii) eight days of in-country research, including interviews with 65 persons representing different actors in Sarajevo, Banja Luka and other localities in the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS) (for a list of actors interviewed see annex 2) . These included government actors, international community and civil society representatives as well as two reflection meetings with staff of the Embassy of Switzerland; (iii) analysis of data, drafting of the report and revision of the report based on feedback received.

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Disclaimer

This is an external and independent study. This report represents the opinions of the authors. It does not necessarily represent the views of the Embassy of Switzerland in Bosnia and Herzegovina. Any errors are the responsibility of the authors.

2 Political Economy Analysis of Local Governance in Bosnia and Herzegovina

2.1 General political context

The relevance of the Swiss engagement in local governance in Bosnia and Herzegovina has to be assessed against the background of the broader context and particularly the political economy of local governance in the country.

The administrative and institutional setup of Bosnia and Herzegovina was established through the Dayton Peace Accord in November 1995 with the aim to manage tensions between the three main constructed ethnic groups – Bosniaks, Croats and Serbs – by both preserving the territorial integrity of the state and dividing it internally, mainly along ethnic lines. The country is composed of the two entities: the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS), and the autonomous Brčko District (BD). FBiH is further divided into ten cantons (intermediate level of government) and 80 local self-government units as the lowest level of government. In the RS, there are 64 local self-government units. BD is counted as a local-level government. This adds up to a total of 145 local governments in a country with a population of 3.5 Million.

Due to its multi-layered character, the present political system is considered one of the most complex systems in Europe. So far, it has neither succeeded in laying the foundations for cooperation among the constructed ethnic groups nor in facilitating the improvement of the living standard of the population. The existing ethnocracy[1] benefits mostly the elites of the constructed homogeneous ethnic groups.

Belloni and Ramovic (2019) argue that two competing social contracts have been created in BiH, an 'elite social contract' and an 'everyday social contract'. The 'elite social contract' encompasses political elites from the three main ethnic groups, along with the international community, business elites, judiciary, and some segments of civil society. Despite the occasional use of inflammatory rhetoric, the members of these elites are able to accommodate each other's interest across ethnic lines. However, ethnic tensions are instrumental in preserving the power of the political and economic elite. Hence, the 'elite social contract' exploits rather than addresses core conflict issues. Its main goal is to freeze the status quo in order for elites to maintain control over their respective community and (mis-)manage economic resources to the advantage of a relatively small clique of people.

In the 'everyday social contract', citizens are trying to understand and cope with a severely disrupted social and economic environment. The manifest lacking willingness of the elites to provide jobs, public services and in general to address the demands of the citizens has led citizens to assign less weight to group differences[2], and to rely largely on themselves and/or informal networks to meet their needs.

In this context, two main conflict issues serve as hindrance to the establishment of an overall resilient social contract. One revolves around the presence of different conceptions of the territorial boundaries of the political community and the rights of citizens within that community. The second one involves the ethnicity-based governance system created by the Dayton Peace Agreement (DPA), which favors a political 'zero-sum game' between Bosniaks, Croats and Serbs. This system is described to have two components. First, ethnic difference is inscribed in the law and mapped onto the territory. Hence, the system accommodates nationalist demands, stresses ethnic belonging, and provides no incentives for politicians to cross ethnic divisions. Second, in a consociational political system[3] each nationalist leadership manages its own cultural politics, emphasizes the one-sided memorialization of their own group's suffering during the war and promotes segregation.

The international community has become increasingly passive vis-à-vis domestic misrule, which can be observed particularly since the failed attempts to reform the Bosnian Constitution in 2006. Given this passivity and the problems with the ethnicity-based governance system, it is unsurprising that policy

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[1] . This is defined by Lise Howard as "a political system in which political and social organizations are founded on ethnic belonging rather than individual choice" (Howard, 2012)

[2] https://www.scoreforpeace.org/en/bosnia/2014-General%20population-0

[3] In German: Konkordanzdemokratie

analysts argue that for the near future the most likely scenario is continuing institutional paralysis, rising tensions and further crisis.

The recent significant increase in people leaving the country is attributed by political analysts not only to a lack of economic perspectives, but also to the bleak political outlook in the country. In the past year alone, 150,000 persons out of a population of 3.53 Million left BiH and projections indicate that this trend will continue. The depopulation trends do not only have significant effects on the economy, since it is mostly the working age population who is leaving, but also on local governance and local public service delivery. With the population significantly decreasing in the different municipalities across the country, this leaves local governments with a big challenge related to how to organize and finance public service delivery. Furthermore, one can also observe a trend of migration within the country itself – particularly to urban and, according to an analyst, to multi-ethnic areas.

2.2   Political fragmentation

The extreme political fragmentation affects BiH all state levels and is not limited to fragmentation between the constructed ethnic groups. At the national level, an effect of this fragmentation is that since the October 2018 elections, no government has been formed due to the parties' disagreement on the submission of Bosnia's Annual National Programme – a precondition for Bosnia's Membership Action Plan for NATO – and on necessary electoral reforms. At the FBiH entity level, the political fragmentation has similarly prevented the parties from forming a government for more than a year.

At the cantonal and municipal levels, the political fragmentation can also be observed in places with large majorities of constructed ethnic groups. For instance, in the Canton of Bosnian-Podrinje Gorazde (94% Bosniak), the cantonal parliament is composed of 25 persons from eleven different parties, with the largest party holding five seats. In Canton 10 (77% Croats) the 25-seat assembly composes of ten different parties. This fragmentation is reflected in the composition of cantonal governments. Combined with the vertical party structures that shape the party atmosphere and affect and limit lower party action (Husley 2016) and with, in some places, prevailing antagonistic political culture, this political fragmentation does not only lead to slow decision making processes, but also to representatives having narrow political goals instead of striving for the common good.

2.3   Local governance context

Local governments are organized differently in FBiH, RS and BD. The legal framework for local governance consists of entity and cantonal laws. Only three cantons have harmonized their laws with the FBiH Law on Principles of Local Self-Government, while the Canton Tuzla has taken over the FBiH Law in its entirety. Whereas the RS has adopted a policy framework on local governance,[4] such a framework is absent in the FBiH and in the different cantons, which may be interpreted as a consequence of their political fragmentation and of the apathy related to the topic of strengthening local governance. In the RS, the local governance institutional setup consists of a specific ministry, the Ministry of Administration and Local Self-Governance, which deals with the respecting issues. In the FBiH and its cantons, there is no dedicated ministry, but the Ministry of Justice at entity level and the Ministries of Justice and Administration at cantonal levels hold competences for local governance issues.

The absence of a coherent policy approach at the national level and of a unified legal framework for local governance at the entity and cantonal level in the FBiH exacerbates the clarity of competences and does not provide a conducive environment for governance interventions with system-wide effects.

Given the general political context and the highly complex local governance context – which can be interpreted as a consequence of the former - it is no surprise that despite the support by the International Community to this sector little progress has been made in regard to democratic local governance over the past years. The latest Nations in Transit Report of Freedom House even comes to the conclusion that the country is doing worse when it comes to local democratic governance compared to ten years ago (Freedom House, 2019). It states that while there are a number of success stories in individual municipalities, local governance in BiH is hampered among others by (i) the lack of clarity in the assignment of responsibilities between the government levels; (ii) inadequate financial resources of

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[4] Strategy for Local Self-Government Development 2017–2021 of Republika Srpska

municipalities, lack of power to levy local taxes and inefficient equalization system; (iii) the quasi absence of implementation of legal reforms at all levels of government; (iv) lack of citizens engagement; and the lack of direct representation mechanisms in the electoral system, which empowers parties, not voters;

These deficiencies have been in place since the end of the war. Due to the absence of a national social contract and the predominance of the existing elite social contract, reforms are not pursued. This assessment is reiterated by the rapporteur of the Committee on the Honouring of Obligations and Commitments by Members States of the European Charter of Local Self-Government. They noted in their recently published report that little progress has been made in implementing the Congress of Local and Regional Authorities' previous recommendations(Congress of Local and Regional Authorities, 2019).

Lack of clarity in the assignment of competencies between the government levels

The legislation in the 2 Entities and 10 Cantons assign a considerable number of competencies to the municipalities[5]. There is also a tendency that higher level governments add to lower level governments (cantons and municipalities) further tasks and obligations.

The deficiency of allocation of competencies and the respect of the principle of subsidiarity pertains in particular to the FBiH. The existence of cantons, according to the LGI Report (2019), creates additional challenges in the complicated and often opaque system, amongst others in regard to the coordination of service delivery between central government, cantons and municipalities (especially in the presence of shared competences). The report points out that joint and overlapping competencies lead to confusion regarding who has the ultimate responsibility for the provision of services, which creates frustration at all levels. Examples for this are (i) special planning, where zoning is carried out by cantons but municipalities issue building permits; (ii) garbage collection, where disposal is assigned to municipalities but selection of the dump site is in the cantons' responsibility.

The allocation of competencies in the Republika Srpska, where there are only two administrative levels, seems to be clearer and the principle of subsidiarity has been introduced in the 2017 reform.

A major deficiency is that although the laws state that assigned competencies shall also be accompanied by the allocation of necessary funds for fulfilling them, this is not always the case and cantons and municipalities are faced with a situation where they have obligations assigned to them but not the respective finances to fulfill them.

Inadequate financial resources of municipalities and low power to levy local taxes and inefficient equalization system

The lack of clarity of assignment of competencies is aggravated by the inadequate system of allocating resources to local governments. The LGI report comes to the mentions that the system (i) does not allocate resources to the appropriate level of government; (ii) is open to political manipulation and cronyism; (iii) does not allocate resources "fairly" across different cantons and different municipalities; and (iv) suffers from fragmentation and a lack of coordination.

The challenges of public revenue distribution and equalization mechanism are also recognized by the Associations of Municipalities and Cities as one of the main issues that hinders their development. Hence, they have made this as one of their main two priorities to engage with higher-level governments. The challenge of public revenues to finance local service delivery is further aggravated by emigration, the related drop in the number of the working population and the demographic change.

A study by Alibegović, Hodžić and Bečić (2019) also comes to the conclusion that municipalities and cities in Bosnia and Herzegovina lack adequate fiscal autonomy in the sense that their main revenue categories are those for which the decision regarding tax base and tax rate is not in their own hands, but in the hands of higher-level governments. This limits their autonomy to initiate and execute local strategic decisions.

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[5] see article 8 of the Federation of Bosnia and Herzegovina Law on Principles of Local Self-Government, and Republika Srpska Local Self-Government Law

Quasi absence of implementation of legal reforms at all levels of government

The lack of implementation of legal reforms is frustrating both for higher-level governments and municipalities. However, it is not only higher-level governments that are to blame for this shortcoming. Municipalities often prefer to entertain the locally distinct, informal rules instead of the newly proposed ones. Mayors and administrators in municipalities who perceive (i) no benefits from legal reforms and (ii) local opposition to the new rules are likely to leave the reformist rules on paper and uphold the old, informal rules. Only if they perceive benefits from legal reforms and are able to overcome opposition, they might implement new, pro-reform rules (Pickering and Jusic, 2017).

Thus, partly due to the vertical party structures, in which the higher-level government shapes and controls the party and leaves little space to lower-level party action, and partly due to their own preference for the old informal rules, municipalities have not been highly successful in advocating for the implementation of reforms. Nevertheless, the Associations of Municipalities and Cities (AMC) in the two entities, who represent the interests of the local governments, have in recent years started to take on a more active role in advocating for (the implementation of) reforms. What also remains frustrating for them is that although they should be consulted when higher governments develop new laws, this does often not take place.

Citizens do not have motivation, skills and knowledge to get engaged in decision making

As will be discussed further below, citizens engage very little in voicing their priorities and holding (local) governments accountable, apart from participating in elections. This is largely attributed to the legacy of the Yugoslav system, the war, the absence of a national social contract and the disillusionment with the (political) elite. Only 6% of the total population is engaged in volunteering, according to the CSO Sustainability Index[6], whereas less than half of the total of 25,342 registered CSOs[7] are active (unofficial estimates by the Centre for Promotion of Civil Society).

A remnatn of the Yugoslav system are the Mjesne zajednice (MZ), which serve as a structure for civic engagement and participation in communal affairs. They have been activated with the potential to play an important role for civic action and as an effective link between the state (in the form of the municipality) and the citizens. Apart from the MZs, there is only a very weak and nascent civil society, which is based on activism and grassroots initiatives of domestic origin.

Local public service delivery

Local public service delivery outcomes are still extremely uneven across the country, access to services remains poor, and overall user satisfaction is low. While there are improvements, the challenges remain huge. In the medium term, the situation might exacerbate due to the decreasing population and the demographic changes. Water coverage and quality remains a problem for many households (only 40% of the population is connected to the public system), mostly in rural areas, but as the summer of 2019 has shown, also for the urban population. Besides this, waste water and solid waste removal remains a challenge, while local roads have improved over the past years. The LGI report mentions that consultations have shown a large dissatisfaction of municipalities as they perceive a mismatch between the allocation of responsibilities and funds, leading to under-funding of local governments and poor public service provision (see also above). Challenges also arise when it comes to the provision of public services that are in the competence of higher-level governments (Entity/Canton) but for which municipalities have to provide certain infrastructure and bear the complaints of citizens if they do not perform as expected. Furthermore, the LGI report states that larger municipalities and cities complain that no difference is made in the allocation of responsibilities and funding for services between small and large municipalities and cities.

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[6] https://www.fhi360.org/sites/default/files/media/documents/resource-civilsociety-organi-zation-2017-regional-report.PDF

[7] State Registry, 2019: http://zbirniregistri.gov.ba/Home

The CoE and LGI reports highlight further issues that impede the performance of local governments, which were confirmed by the interviews conducted. These are the following:

— Apparent lack of efficiency of local public administrations;
— Lack of inter-municipal and inter-entity coordination;
— Low level of economic activities;
— Legislation that does not differentiate between large cities and small municipalities and curtails their capacity to fulfil their additional functions.

2.4   Context related to civil society

Despite the International Community's 'success' in installing institutions and procedures, the new institutions and multi-party democracy did not create a 'functioning' new state with a resilient national social contract as envisaged. Instead, as mentioned above, two competing social contracts (an 'elite social contract' and an 'everyday social contract') emerged, leaving citizens-state relationships very weak and heavily strained. This does not only pertain to relationships between citizens and the state at national, entity and cantonal levels but also – though to a lesser degree – at municipal level[8].

Realizing this, the International Community started to engage more strongly in the area of Civil Society strengthening as a way of sidestepping 'uncooperative' local elites, solving ethnic tensions, and enabling post-war democratic transition towards the end of the 1990s. Fostering of Civil Society was seen as crucial to democratization and reconciliation processes. The objective was that the state should eventually be open to civil society and responsive to the advocacy campaigns of the local civic groups (Belloni, 2001 and Farrel, 2009).

Over the past years the International Community has realized that their past and current strategies of Civil Society strengthening foster rather apolitical, institutionally weak, financially dependent and submissive local NGOs, which focus on achieving the donors' narrow and technocratic objectives and which are detached from grassroots organizations and activism (Puljek-Shank and Verkoren, 2017; Žeravčić, 2016). The absence of core funding can be seen as one reason that has not allowed organizations to pursue their own mandate and to focus on constituency building and the priorities of their nascent constituency. Instead, local NGOs have become opportunistic and are mostly busy with implementing projects of either international donors, foundations and local governments.

The International Community's failure in nurturing an active Civil Society can also be attributed to its focus, which was primarily on promoting organized, formal and professional Civil Society, which can be seen as the 'skeleton of Civil Society'. However, Civil Society cannot come to life and play its role in the absence of self-determined and –initiated informal groups and grassroots initiatives.

Developments over the past years have indicated that citizens' activism and hence Civil Society in Bosnia and Herzegovina is reviving. The recent activism[9] shows also that citizens increasingly mobilize around issues of social justice, political and civil rights and challenge the local patrimonialism along ethnic identity (Puljek-Shank and Verkoren, 2017).

By embracing the claim that the civil society activism depends on local activism and grassroots organizations, the question arises as to which approaches would work in support of such activism and grassroots activist groups to claim or defend democratic causes. The experience gained during citizen plenums in 2014 shows that the relationships between the international community and formal NGOs, on the one side, and plenary activists on the other side were shaped by mistrust, mainly because the activists requested that international embassies should not get involved (Puljek-Shank and Fritsch, 2019). However, donors are increasingly open to supporting informal activist groups, e.g. Sida via the "ThinkNature!" project, which is implemented by the Centre for Promotion of Civil Society[10], or USAID

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[8] Dojolai, M and Suskic-Basic, S (2019)
[9] (2008 Sarajevo protests against street violence; 2009 Tuzla University protests, 2012 Banja Luka Picin Park protests; 2013 Sarajevo "babylution" protests; 2014 Tuzla – plenums; 2018 Banja Luka – 'Justice for David' informal group gatherings; environmental movements for protection of rivers, such as the 'Brave women of Kruščica'in 2017-2018)
[10] http://civilnodrustvo.ba/cpcd/projekti-i-programi/think-nature-misli-o-prirodi/

Assistance to Citizens in Anti-Corruption Fight, which is implemented by the Centre for Civic Initiatives, Transparency International BiH and the Centre for Media Development and Analysis[11].

2.5   Context related to gender

According to Spehar (2018), the countries of the Western Balkans in general and BiH in particular can be seen as providing a highly unfavorable political environment for gender-equality policy making. They continue to suffer from severe political, economic and security problems, including xenophobia and nationalism, underdeveloped democratic political culture and weak rule of law. While BiH has made substantial progress in adopting new legislation and policies aimed at ensuring greater gender equality in different spheres of social life, women continue to face restrictions in the labor market, earn lower wages, suffer notably and frequently from domestic violence and are only poorly represented in the political sphere. Improvement in gender equality and women's political participation is restricted, amongst others, by a lack of sincere will on the part of decision makers at all political levels and a lack of women being organized and forming a well-mobilized constituency.

Some political analysts hence argue that the chances of fundamental progress in greater gender equality can only be negligible for as long as there are no forceful demands and organized constituencies both within and outside the state.

2.6   Context related to social inclusion

Out of the total population of 3.5 million people, about 19 percent, or 640,000 people, live in absolute poverty in BiH. Besides this, approximately 50 percent of the country is vulnerable to becoming poor, which is largely due to factors including lack of education and economic opportunities. According to older data (2007) the Human Social Exclusion Index for BiH states that one in two citizens of BiH are socially excluded in some way and that 22% of the population belongs in the category of severe social exclusion. This alarmingly high rate of socially excluded persons is attributed to a complex interface of political, economic and social factors, and among the most important, growing unemployment, continuing political and social obstruction, inadequate organization of the welfare state, a poorly performing education and health system as well as widespread corruption.

People who suffer most from social exclusion are elderly, children and youth, women, displaced persons, religious and ethnic minorities (i.e. Roma), people with disabilities and LGBTI.

While the international community has long supported activities that facilitate inclusion of marginalized populations in civic and political decision making in BiH, these groups are often overlooked or ignored by authorities at different government levels and hence remain unheard and excluded from mainstream social, cultural, economic and political life. The social protection system is highly under-developed and is not only unable to meet the social challenges citizens face, but also outdated, since it is based on 'the philosophy and practice of helping', while neglecting preventive and structural actions.

The forthcoming BiH Human Development Report investigates the issue of social inclusion in the country and may generate relevant data and show avenues to consider for national and international support to improving social inclusion in the country.
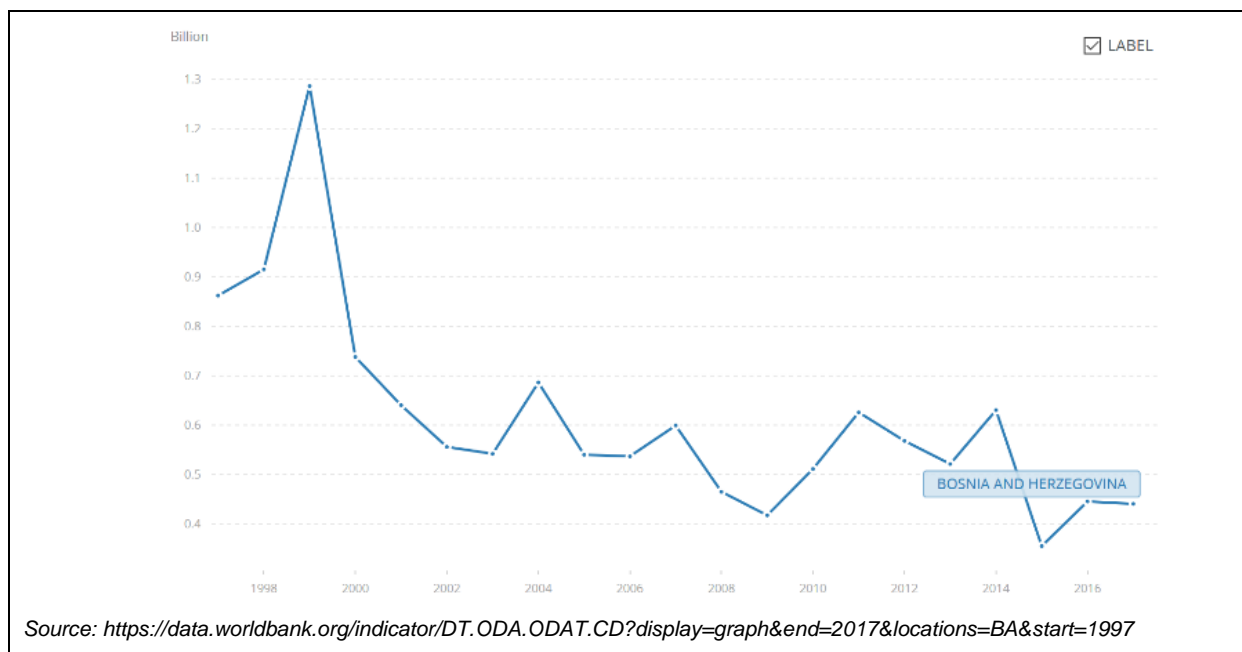
2.7   International community engagement

With the exception of 2014, when the international community engaged strongly in disaster response after the devastating floods and related landslides[12], net official development assistance and official aid received in Bosnia and Herzegovina has been decreasing since 2011 (see figure below).

Net official development assistance received by BiH 1997-2017 (current US$)

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[11] https://ti-bih.org/projekti/pomoc-gradjanima-u-borbi-protiv-korupcije/?lang=en
[12] https://tradingeconomics.com/bosnia-and-herzegovina/net-official-development-assistance-and-official-aid-received-us-dollar-wb-data.html

Source: https://data.worldbank.org/indicator/DT.ODA.ODAT.CD?display=graph&end=2017&locations=BA&start=1997

Along with this, the number of donors has decreased, including those who are active in the sector of local governance. As Switzerland has continued its long-term engagement in local governance, it has become one of the largest donors in this sector. With its comprehensive governance portfolio and strong engagement in donor coordination forums, it is recognized as one of the most prominent donors in the sector.

Besides Switzerland, Sweden is also rather active in governance issues, mainly through the large projects co-funded with the Swiss government and several other projects where governance is a cross-cutting theme (focus is on gender and environmental governance). The US government used to run large local governance programs but have largely withdrawn from the sector.

The above mentioned donor coordination forum, called the Local Governance / Local Development Donor Coordination Group, is administered by UNDP and co-chaired by the Embassy of Switzerland and UNDP. The group is composed of donors (Embassy of Switzerland, Embassy of Sweden, EU Delegation, Embassy of Czech Republic, USAID), international organizations that are mainly acting as implementers (UNDP, UNICEF, Council of Europe, OSCE, OHR, World Bank) and the BiH entity associations of cities and municipalities. The main aim of all members is to exchange information on ongoing issues, ensure coordination and implement initiatives of joint interest (such as creation of the online map with governance projects, assessments of donor approaches, white papers on local governance, advocacy, etc.).

Like in many places around the world, donor coordination remains an uphill struggle. The members of the Donor Coordination Group continue using different project implementation modalities, different approaches to local governance and different expectations in terms of outcomes. Furthermore, they seem not to speak with a consolidated voice when it comes to pushing the government to embark on reforms.

Based on the information collected mainly through interviews, the following features of donor interventions in BiH are relevant for further considerations:

In terms of implementation modalities, the majority of donors engage implementers with strong project management competencies – often international organizations – and focus on attaining tangible results within the lifetime of a specific project phase.

The first drawback of what is commonly welcomed as an efficient project implementation mechanism is that strong local partners (i.e. municipalities) are preferred over weaker ones by implementers since the likelihood of achieving results is higher by engaging with them. As a result, weaker partners are often

neglected. This approach was recently criticized by the AMCs, which stressed the need to assist less developed local governments.

The second drawback of this implementation approach are the related country-system-substitution-effects. As the country has generally weak and not highly performing institutions at all levels (government and non-government), there is a tendency that donors and their implementers substitute the roles of state institutions. This ranges from (i) choosing international organizations, like UNDP, to play the role of an implementer for projects that could also be implemented by national organizations, and by doing so crowding out national implementation organizations; to (ii) doing the procurement of goods and services on behalf of local governments; to (iii) providing goods and services directly to end-beneficiaries; to (iv) unilaterally advocating for reforms on behalf of municipalities and by doing so diminishing the role of the AMCs. As a result, international implementing organizations tend to play the roles of (i) think-tanks (e.g. conducting studies, design methodologies), (ii) ministries (e.g. monitoring of local government performance), (iii) local governments (e.g. procuring of goods and services), (iv) civil society and (v) AMCs (e.g. advocating for reforms).

There are also some good examples of donors and implementers making efforts to reduce donor/implementer dependency and substitution effects and to strengthen the domestic actors. For example, in the Strengthening Associations of Municipalities and Cities project, the Swedish implementer, SALAR, has consciously adopted a 'light footprint approach', supports the AMCs in identifying and working on their priorities and has transferred much of the project management responsibilities to the AMCs. Another example is the Integrated Local Development Planning (ILDP) project implemented by UNDP. It supports and capacitates, among other things, the Federal Institute of Development Programming to manage the process of Federal Development Strategy creation. Further, GIZ identifies local thematic and professional organizations and assigns specific mandates to them through outsourcing and co-implementation arrangements. Lastly, the Czech Embassy works directly with country institutions or through Czech organizations that transfer knowledge to the beneficiaries.

While interviewed NGOs strongly criticize the international community of substituting their role in the country as implementers and voice of the civil society, municipal governments are generally happy that implementers substitute some of their functions (e.g. procurement of goods and services). They mention that this reduces both their workload as well as pressure from different sides trying to influence how municipalities award contracts for the delivery of goods and services.

3   Switzerland's Local Governance Portfolio

The overall objective of the current Swiss Cooperation Strategy for Bosnia and Herzegovina is the following:

> *"Switzerland contributes to strengthening social, economic and political inclusion in Bosnia and Herzegovina. It reinforces the further development of a democratic political system and a social market economy, based on accountable public and private actors as well as active and empowered citizens, with the longer-term perspective of European integration."*

More specifically, the objective of its Democratic Governance, Municipal Services, and Justice domain, under which the engagement on local governance falls, states:

> *"Public authorities at all levels adopt and implement more inclusive, accountable and responsive policies which constitute the base of a resilient governance system. They provide efficient high quality services - particularly in infrastructure - for all, and improve access to justice, thereby restoring citizens' trust towards institutions and within the society."*

The outcomes attributed to the local governance domain are listed below.

> **Outcome 1:** *Local Governments provide inclusive efficient quality services and improve their performance management within the public policy cycle.*
>
> **Outcome 2:** *Government actors on all levels harmonize their development planning and successfully participate in funding schemes including the EU preaccession funds.*
>
> **Outcome 3:** *Citizens forge alliances with political representatives and civil servants, demand for reforms and engage in initiatives to improve living conditions.*

This assessment focuses on the local governance portfolio within the larger governance, municipal services, and justice domain. The local governance portfolio consists of four projects that contribute to improved policies, high-quality services and enhanced participatory spaces.

The table below provides an overview of those projects.

Project	Donor	Implementer	Timeframe / Phase
Integrated Local Development Project (ILDP)	Swiss Government	UNDP	2017-2021 (Phase 3)
Municipal Environmental and Economic Governance (MEG)	Swiss Government	UNDP	2014-2020 (Phase 1)
Strengthening the Role of Local Communities/ Mjesne Zajednice in Bosnia and Herzegovina (MZ project)	Swiss and Swedish Governments	UNDP	2013-2019 (Phase 1)
Strengthening the Associations of Municipalities and Cities in Bosnia and Herzegovina (AMC project)	Swiss and Swedish Governments	SALAR	2017-2021 (Phase 1)

The projects in the local governance portfolio cover 60 local governments, which amounts to 41% of all local governments in the country.

4   Assessment of Switzerland's Local Governance Portfolio

4.1   Main achievements

The monitoring data, results from external evaluations and reviews suggest that all of the four Swiss local governance projects are well on track and are expected to achieve most of the outcomes as envisaged by the respective planning documents.

The main achievements of these projects are related to several democratic governance areas:

Enhanced democratic governance principles and policies have evolved in approximately 50% of all local governments in the country. According to an AMC-administered survey in 2018, the standard methodology for integrated development planning has been applied by 114 Local Governments (79% of all local governments in the country) so far. All 10 cantons adopted integrated strategies and introduced development management systems. The integrated planning model, established with support of SDC's Integrated Local Development Project (ILDP), has the full support of the relevant entity ministries and both AMCs, and is recommended by them as the model to follow in the country. As a result, the methodology has been adopted by local governments and is applied as a standard requirement by

international organizations in the country (e.g. EU, OSCE). In addition, 18 local governments[13] have successfully adopted a novel approach to democratic local governance, characterized by a results-based performance management framework that directly contributes to sound public policy and significantly improves local service delivery, particularly with regard to municipal water supply and wastewater management. The new approach significantly improved the local government performance in these 18 municipalities across a set of good governance benchmarks related to accountability, inclusive decision making, policy design and delivery, as well as service provision.
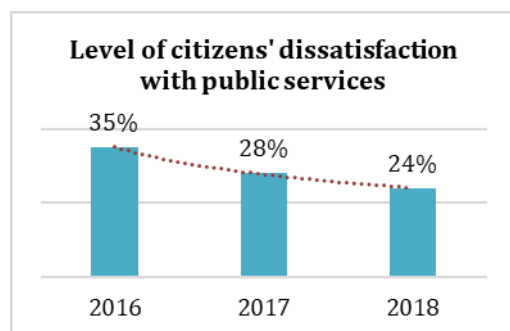
Local government policies have been improved in 24 local governments where elements of the MZ Vision were piloted. This evoked more responsive citizens' actions and local development based on communities' priorities. It resulted in significant enhancement of MZs' operational, technical and organizational capacities, affirmation of inclusive community forums as citizens' voices, establishment of community hubs as new spaces for community life and interaction, and improved access to basic services.

In the 18 MEG project partner municipalities, an improved policy framework for the work of local water utilities and their relationship to the municipal government and assembly got established.

Strengthened public utilities and improved public services have been most effectively achieved in the 18 local governments that are part of the MEG project, with focus on water and environmental sanitation. The above mentioned improved policy framework has laid the basis to improve the utilities' financial and operational performance. Over a period of three years, these efforts resulted in a substantial and tangible improvement across several key performance indicators: Non-revenue water has been reduced by 5% on average (corresponding to a monetary value of BAM 2 million), while the average number of employees in local water utilities per 1,000 consumers was reduced from 1.71 in 2015 to 1.59 in 2018. Finally, the MEG project facilitated the establishment of a cost-reflective tariff system, which has the potential to be scaled up and help water utilities across the country to provide sustainable water services.

The improved performance by local governments and utilities has resulted into a marked decrease in citizen dissatisfaction with service delivery (see chart below).

Figure: Level of citizens' dissatisfaction with public services

Source: MEG Project, Strategic orientation for Project phase 2

Further, through the MZ project initiatives, the access to basic services has improved for more than 156,000 citizens (44% of which are women). Thanks to the introduction of the entity public Financing Mechanisms, the available public resources have been aligned with priorities defined in local strategies. Entity institutions increased the transparency and effectiveness of public finance management, as per EU standards for public grant schemes. Since 2014, the Financing Mechanisms have contributed to improving the quality of services for over 103,000 citizens (including over 17,000 socially excluded), ensured income for 2,400 people and created 529 new jobs.

An enabling business environment has been created in all of the 18 MEG partner municipalities, thanks to enhanced public-private dialogue and efforts to reduce bureaucratic barriers. Public incentive measures targeting private sector development have mobilized some BAM 1.4 million in investments and

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[13] Bihać, Bosanska Krupa, Cazin, Doboj, Gračanica, Gradačac, Gradiška, Kalesija, Kostajnica, Kozarska Dubica, Prijedor, Prnjavor, Sanski Most, Tešanj, Teslić, Tuzla, Velika Kladuša and Žepče.

created 216 new jobs in those localities. The support delivered through the MEG project helped the local governments to attain or to extend the Business Friendly Certification South East Europe.

Empowerment of communities and civic engagement has been specifically addressed at the MZ level. SDC supported actions focused on encouraging community-led local development and revitalizing MZs as important players in local development. This stimulated active citizens, facilitated stronger engagement of communities in governance matters, improved citizen-centered public service delivery and advanced the MZ capacities in 24 municipalities (18% of all local government units) and 136 MZs (6% of all MZs in the country). These MZs in turn contributed to improving the citizens' trust in their local governments. Experiences demonstrate clearly that apathy is not necessarily the default and that local actions are indeed possible in a constructive environment that encourages engagement. Across all municipalities supported by Swiss local governance projects, citizens participated in the process of developing of local integrated strategies and in decision making.

Advocacy efforts and changes to the policy framework were not as effective as expected. Successful examples are related to the adoption of the Law on Development Planning and Management and corresponding by-laws in the FBiH, the Decision on Strategic Planning and Policy Coordination in the RS (a new Law is under consideration in the RS as well), and by-laws related to mid-term institutional planning in two cantons. Further examples of successful policy changes include (i) the introduction of the results-based approach in 18 local governments (measurement of their performance), which not only enhanced their operations, but also instigated the design of a good local governance policy concept[14]; and (ii) the redesign and institutionalization of Public Service Agreements (PSA) for water services at the local level, which systematized the relationship between local authorities and water utilities, while providing a viable business model for sustainable water service delivery. The policy dialogue aimed at enhancing the higher government regulatory frameworks towards increasing financing of local governments and decentralizing and improving service delivery has not yet shown progress.

In addition, the MZ Vision, developed in a participatory way and embraced by the relevant governments, is now the legitimate foundation for potential reforms towards stronger local communities and a springboard for future systemic changes in the area of community governance. The Entity parliamentary commissions and Brčko District authorities started to consider potential changes in the existing regulatory frameworks to ensure that these are conducive for transforming the MZ Vision into practice. As a result, amendments to the Law on Principles of Local Self-Governance in the FBiH were drafted, while in the RS recommendations for legal improvements were defined.

All projects initiated countrywide thematic networks of local and cantonal practitioners that bring together all local governments (with support of AMCs) and cantons (in cooperation with the Federal Institute of Development Programming). The aims of these networks are to share best practices in development planning and community governance and to play an advocacy role in policy processes.

Despite the positive changes and examples and the different Swiss projects' emerging policy thinking, the resistance to policy changes encountered by Swiss projects resulting from insufficient political and the low priority given in the different projects to attaining changes in the regulatory framework can be seen as reasons for the slow progress related to influencing local governance reforms.

Transversal themes: The different Swiss local governance projects have given comparatively little attention to the two transversal themes of gender and social inclusion. This can be partly attributed to the design of these projects, which do not give these topics high priority given their transversal nature. As a result, neither qualified human resources nor significant financial resources are provided to achieve positive changes related to these topics. Related to this, it can also be party attributed to Switzerland as a donor not keeping the implementers sufficiently accountable for results they achieve in those topics.

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[14] The draft good local governance concept or *Good Local Governance Seal* is a first-of-its-kind, common local governance performance measurement framework in Bosnia and Herzegovina, designed by the MEG Project in collaboration with local governments, policy makers, Associations of Municipalities and Cities, citizens, etc. It sets several good governance guiding principles, which are articulated through a set of common performance standards, each of which is measured by concrete indicators.

4.2 Approaches

The current Swiss local governance portfolio consists of several dominant approaches that are listed in the table below and described in the text.

SDC projects	Intervention Levels	Main Focus/ Entry points	Approach to system and policy changes	Predominant mode of implementation
ILDP	Municipal / Cantonal / Entity	Gov-Institutions (Supply)	Pilot, Replicate, Institutionalize	Implementer – Beneficiary relationship
MEG	Municipal / *Water utilities*	Gov-Institutions (Supply)	Pilot, Replicate, Institutionalize	Implementer – Beneficiary relationship
MZ	Municipal / MZ	(Gov-) Institutions (Supply/Demand)	Pilot, Replicate, Institutionalize	Implementer – Beneficiary relationship
AMCs	Municipal / Cantonal / Entity / State	AMCs and Gov-Institutions (Supply)	Country wide / System change	Partnership relationship

The main focus of SDC's interventions, i.e. the key entry points, are usually local government institutions. The ILDP project has been strengthening the local government systems for integrated development planning, and expanded to work at higher levels of government (cantons and entities). The MEG project has been focusing in is first phase on local governments and local water utilities. The MZ project has been working with local governments and local communities (MZs) in parallel. Finally, the AMC project has been working with AMCs and, indirectly, with local governments.

There is a quasi-absence of working with higher-level government and civil society as important actors related to democratic local governance. Working directly with higher-level government at canton (exception part of ILDP project), entity and state level is not part of the portfolio. These levels are only targeted to respond to demands for regulatory changes. Apart from working on citizens' participation, through the MZ project, the Swiss portfolio does not include any activities to strengthen civil society as the glue that binds public and private activities together in such a way to strengthen the common good.

In the efforts to contribute to system and policy changes, the prevailing approach is bottom-up (ILDP, MEG, MZ projects). The Swiss local governance projects predominantly follow the approach of first piloting methodologies, practices and models at local level. In a second step, they would replicate the successful ones on a broader scale in order to aggregate more evidence and stronger arguments to finally institutionalize them and instigate the desired policy changes and developments. So far, working directly with higher-level authorities or fostering collaboration between lower and higher levels of governments in order to encourage systems and policy changes has been weak and largely absent.

Implementation modalities are mostly along the vertical lines of donor-implementer-beneficiary and focus on the implementer producing achievable results. While ILDP was co-designed by UNDP as the implementer, none of the other projects was co-designed by the implementer nor the target group. This is mostly attributed to the fact that SDCs instruments put restrictions on such co-designing processes. These strong vertical lines, where the donor designs and pushes the implementer to deliver results, seems to have led to a situation where UNDP feels obliged to achieve the agreed results, at times at the expense of working with weaker municipalities and communities and often by not playing the role of a facilitator but assuming the role of a direct service deliverer. By doing so, it weakens municipalities and communities and substitutes domestic institutions.

The focus on producing achievable results may also be seen as a reason why the Swiss local governance portfolio has so far mostly focused on the local level. All members of the international community that were interviewed stressed that it is the local level where projects can attain results more easily and where their contributions are most likely to translate into tangible improvements of people's

lives. Working at higher government levels with the aim of achieving system and policy changes is perceived highly frustrating as the elites have little interest in changing the status quo.

An exception regarding the implementation modalities and the focus on (quickly) achievable results is the AMC project. Many donors, including Switzerland, shied away from engaging with these associations due to their reputation of being ineffective and politically captured. By engaging on strengthening the AMCs, Switzerland, on the one hand, uses a different implementation modality that is based on partnership between a similar non-BiH (Swedish Association of Local Authorities and Regions as the implementer/partner) and BiH organizations (Association of Municipalities and Cities) and true facilitation and, on the other hand, engaged in an endeavor where results are not guaranteed, may take a long time to materialize but have the potential to address some of the impeding factors when it comes to local governance in the country.

5 Relevance

5.1 Overall relevance

The projects in the Swiss local governance portfolio have over the past years produced significant results. However, despite of the initiated changes in the targeted municipalities and beyond as well as the tangible benefits created for the population, the overall situation in the country in regard to democratic local governance has not improved and even got worse.

The developments in the context over the past years show that a relatively small elite preserves its power by exploiting core conflict issues and (mis-) managing economic resources to the advantage of a relatively small clique of people. The political fragmentation, the low demand for policy changes and the quasi absence of reforms that would strengthen democratic local governance have all contributed to the negative developments.

Notwithstanding well-designed and implemented Swiss local governance projects, the main issues that hamper development in the local governance sector seem to have been inadequately addressed by the Swiss local governance portfolio. This concerns the issues of (i) clarifying the assignment of responsibilities between local and higher-level governments; (ii) the assignment of public revenues and the financial equalization system; (iii) political fragmentation; (iv) inter-municipal / cantonal and entity cooperation for service delivery; and (v) the role of civil society as the new political middle third.

It appears that with and within its local governance projects, the Swiss program consciously focused mainly on the local level, where changes can be achieved with a higher likelihood and where the local population benefits from such changes with more immediate effects. The implicit underlying assumption of the Swiss local governance portfolio's theory of change seems to be that showing democratic local governance and service delivery progress in selected municipalities will be sufficient to effectively influence and advocate for key local governance reforms. This assumption has not proven to be correct.

5.2 Relevance of objectives and approaches

In view of the political fragmentation, the resistance of the elite to embark on reforms, the quasi absence of civil society and the International Community's low ambition to push for changes, it can be understood why Switzerland consciously or unconsciously decided to focus on what is potentially achievable in this context and shied away from addressing the most relevant system changes.

Leaving aside the broader picture, the literature reiewed and the persons interviewed confirmed that the focus on municipal local governance and their role in strategic planning and service delivery is highly relevant. This is not only the case because most public services are delivered at the local level, but also because potential is seen in developing a bottom-up democratic culture and because municipalities are viewed as the units that are less affected by predatory elites that capture state resources and are not accountable to their citizens.

Furthermore, in a country with a virtually absent civil society, the interviewed persons consider it highly relevant that Switzerland engages with citizens to build social cohesion and a social contract. Such an

engagements has, though, only been taking place at the MZ level. It has so far not addressed civil society engagement that goes much beyond voluntarism.

The predominant approach of the projects within the Swiss local governance portfolio, is "pilot - replicate – institutionalize". The approach is viewed by most interviewed partners as being pragmatic and having the potential to lead to local system changes. However, interviewees also confirmed that this approach, given the political context, has limited potential to address the underlying causes for poor democratic local governance in the country. An exception in the Swiss local governance portfolio is the AMC project, which has had the ambition to work towards system changes at the higher government levels (Cantons, Entity, State) from the start and which is country-wide by its nature. Interviewed persons praised Switzerland and Sweden for their engagement with the AMCs, which were in the past avoided and their potential underestimated by donors.

The Swiss local governance portfolio is implemented, to a large extent, in a traditional donor – implementer/contractor- beneficiary mode. Its implementer, UNDP, acts mostly as a contractor of SDC and has a tendency to put more importance on achieving attainable results instead of playing the role of a true facilitator and accepting that putting cantons, municipalities, water utilities, MZ etc., into the driving seat leads to delays, higher risks and less short-term results.

A further issue that is recognized by the interviewed persons of the Swiss embassy and NGO representatives is that the current implementation approach is limited insofar as it does not crowd-in any national implementers but rather supports UNDP to play a highly dominant role that runs the risk of substituting both BiH consultancy companies, NGOs and government bodies.

5.3   Relevance of gender and social inclusion as transversal themes[15]

As noted above, BiH provides a highly unfavorable social and political environment for gender equality. Women's space and engagement in public and political life as well as in the labor market is highly limited by discriminatory gender norms. Furthermore, the Social Exclusion Index (2007) shows that one in two citizens of BiH are socially excluded in some way and that 22% of the population belong in the category of severe social exclusion. Given that the causes of gender inequality and social exclusion in the country are structural, it is highly relevant that the Swiss local governance portfolio puts attention on these two topics.

Treating gender equality and social inclusion as transversal themes does, however, bear the risk that these issues are not given sufficient attention within projects. This became also evident from the analysis of documents and the conducted interviews.

6   Issues to be considered for the next Swiss cooperation program

6.1   Complementing the current portfolio and the approaches

Address the main structural local governance challenges

In order to address the main structural local governance challenges and become more relevant, the Swiss local governance portfolio should be complemented. This can be achieved by adapting existing interventions and introducing new ones.

The interventions should address neglected issues related to:

(i)   The assignment of competencies between the different government tiers;
(ii)   Public revenues and their distribution between the different government tiers;

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[15] The transversal themes of the current Swiss Cooperation Strategy are gender equality and good governance. However, in all four projects in the local governance domain, both gender equality and social inclusion are treated as transversal themes.

(iii)   Overcoming political fragmentation;

(iv)   Fostering civil society.

Include neglected intervention levels

In order to address these issues, SDC should consider including the following, so far neglected intervention levels:

Focus on higher-level government institutions and their relationship to local governments. At present, there are limited activities involving higher-level governments (cantons, entity, state) as partners. They currently rather function as addressees for the advocacy work of municipalities and AMCs. Engaging with higher-level governments as partners for concrete projects might increase their willingness to engage and discuss on issues related to the assignment of competencies as well as public revenue distribution, since they would perceive themselves and their interests treated equally as the interests of municipalities. The aim should be that the system is addressed by engaging with the relevant levels and the relevant elite that is in a position to bring about change and to connect the different levels.

A possibility could be to adopt a whole of canton approach in the FBiH and a whole of Entity approach in the RS to address these issues. Approaching these issues from a service delivery perspective (clarifying competencies, financing and collaboration mechanisms) could possibly be done through the MEG project and partly also through ILDP.

Focus on political parties and the interaction between them. At present, very little attention is given to political parties and how their representatives, who are part of the 'elite social contract', interact with each other as part of the legislative and executive bodies at cantonal and municipal levels. Engaging more concretely with the representatives of different political parties has the potential to increase the efficiency and quality of decision-making and independence of cantonal and municipal legislative assemblies. Thereby not only the functioning of cantonal and municipal legislative assemblies could improve, but also of executive bodies.

Focus on civil society. At present, the local governance portfolio includes hardly any activities that fosters an active civil society, which is crucial to democratization and the reconciliation processes. Supporting civil society has to be approached cautiously. It will be important to learn from past mistakes of fostering apolitical and institutionally weak and submissive local NGOs. The new approach to strengthen civil society should have at least two elements: (i) the detection and fostering of activism of informal groups and grassroots initiatives, which are the backbone of civil society, and (ii) the support of formal and professional civil society organizations that represent a certain constituency, have a political outlook and work towards achieving their own agenda, as opposed to the agenda of a donor. Such formal, professional civil society organizations could be supported by engaging with them as longer-term partners and providing them with capacity and core-funding, in order for them to be able to focus even more on representing the interest of their constituency. Working with the formal part of the civil society could also be the channel to reach out and support the informal part.

Focus on issues and institutions that are of significance, but where change cannot be guaranteed

In order to become more relevant, the portfolio will have to be complemented with initiatives that attempt to address the core impeding factors to democratic local governance. A stronger or new focus on the topics and institutions mentioned above is important in this regard. By doing so, SDC has to be aware that attaining concrete and quick results is not guaranteed and that given the political context in the country, there is even a risk of not achieving any progress at all.

Complement the bottom-up approach

The prevailing „piloting, replicating, institutionalizing", bottom-up approach should be complemented, as mentioned above, by adopting a multi-level approach that promises to be more effective in bringing about system change in regard to the most relevant issues. Furthermore, SDC should also strive to adopt some country-wide approaches. This already takes place through the AMC project and party through ILDP, but

could also be attempted through the MEG and MZ projects. The experiences of MEG with performance-based grants could be used to engage with the respective ministries of finance and help them design a respective system for the whole country.

Experiment to innovate

There are no proven recipes on how to address the above-mentioned main impeding factors to democratic local governance. Therefore, innovative approaches are needed. They can be developed partly within the existing projects by encouraging and allowing them to (partly) adopt a "Fail Smart, Learn Fast" culture. It may, however, also require to developing so-called "learning projects" that would allow to develop new approaches, test them and learn from failure and successes. The lessons could either be used for the design of a longer-term project or to feed into existing longer-term projects. Such an approach would require SDC to engage with partners in a co-designing and co-learning partnership.

Localizing the Sustainable Development Goals

Local governments – whether consciously or unconsciously – are already working day in and day out towards achieving the different SDGs. SDC could support their commitments to further the agenda on localizing and to champion the 2030 Agenda, by recalling the Seville Commitment[16] and probing with them whether it would add value to their (strategic) planning if they were to align their strategies with the SDGs and develop voluntary local reviews that can help assess progress and showcase innovation. Just burdening them with collecting SDG related data for higher-level governments, should be avoided. SDC efforts in regard to localizing the SDGs should in any case follow up on efforts already made in this regard like the Swedish funded "SDGs Roll-out Support and Private Sector Engagement"[17].

Work even more on and within the country systems

There is still much room for improvement in regard to truly working on and within the country systems and avoiding substitution of domestic systems. While SDC is fully aware of this, the main implementer of the Swiss local governance portfolio, UNDP, still needs to be guided to fully internalize this and change its programming, approaches and the understanding of its own role in the country. Achieving this may be challenging, since UNDP is understanding itself as an important domestic actors, that substitutes both government, private sector and civil society.

Working even more on and within the country systems also requires from SDC to recognize that such an approach slows down project implementation, may result in less short-term results and enhances fiduciary risks. The chapter on strategic partnership arrangements below will deal with different options in more detail.

Rethink mainstreaming of gender and social inclusion

Since SDC has the ambition that projects in the local governance portfolio should also bring about change in the transversal themes, it is imperative that SDC attaches to those topics more importance in the different projects. This means that (ambitious) objectives should be set, respective resources should be made available and the implementers/partners should be kept accountable for the way they design and implement activities and for the results they achieve in this regard.

6.2   Adapting the hierarchy of objectives

Taking into consideration that the Swiss local governance portfolio should place a stronger focus on supporting system changes, engaging with higher-level government and the respective elites as well as

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[16] https://www.uclg.org/sites/default/files/seville_commitment._27_02_2019.pdf
[17] https://www.ba.undp.org/content/bosnia_and_herzegovina/en/home/presscenter/articles/2017/11/30/two-new-projects-to-put-focus-on-gender-equality-and-sdgs-in-bih.html

engaging with Civil Society to strengthen the new middle third, the goal and the related outcomes of the local governance portfolio should be adjusted.

Below is a suggestion of how the objectives at the two levels could be formulated. This would take into account the continuation of the existing portfolio projects, MEG, MZ and AMC, and would provide room for one to three new initiatives within the portfolio.

Goal: Citizens benefit from inclusive, effective and democratic institutions.

Outcome 1: Responsive and accountable local and higher-level government institutions ensure an inclusive and effective regulatory framework and public services.

Outcome 2: Citizens and civil society engage actively in public affairs.

6.3   Strategic partnership arrangement

In order to address the key local governance issues in BiH, as presented in this report, the Swiss Embassy should (re)design the strategic partnership arrangements for future Swiss portfolio projects by considering several options presented below.

UNDP in the role of a consultancy firm, not primarily as a guarantor for international standards

This partnership arrangement is already in place in the ongoing projects (ILDP, MEG, MZ project). As such, it represents the *status quo*, and guarantees efficient implementation. This arrangement could be applied in any future project as well. It will ensure that the agreed upon project results – mainly at output level – will be delivered. Such a focus on efficient project implementation, managed by UNDP, would also maintain the benefits of keeping the fiduciary risks as well as the supervisory work of the Swiss Embassy rather low. SDC would apply the same approach to decision making and ProDoc writing (in terms of expected outputs and outcomes as well as the requirements from implementers) as earlier.

UNDP with changed role – in partnership with country institutions and relying on the country systems

This arrangement could be negotiated with UNDP for the ongoing projects (ILDP, MEG, MZ project) and potentially for new projects. In this arrangement, it is assumed that UNDP exercises its role as an international standard setting organization that supports the country to fulfil these standards. The working approach and institutional culture of UNDP project staff should change in order to get away from the strong focus on project implementation, crowding out other implementers and substituting the country systems. Instead, the arrangement proposed here would actively involve local institutions/ organizations as equal partners in project design and management (joint decision making and shared tasks in implementation), while minimizing implementation of activities through service contracts. In addition to the delivery of expected outputs, part of the project efforts would focus on capacity building of the partner organizations (the scope would depend on the initial capacities).

The potential negative impacts of this arrangement lie in the fiduciary risks that may increase. Furthermore, the workload for the Swiss Embassy may increase due to the higher monitoring demands of the new arrangements. SDC should take care that the new approach to implementation is reflected in the ProDocs: Expected outcomes need to be adapted to the partners' capacities, and the quality of processes aimed at strengthening partners as well as beneficiaries needs to be emphasized.

Partnership between the national (in-country) institution(s) or service provider(s) and competent international institution(s)

In such a partnership, the preferable option is to have the national institution in the lead position and the international institution in the backstopping role. Depending on the project theme/ sector, the national and international institutions would have the relevant thematic expertise, while the international institution should also bring in the international development cooperation experience and practices.

This partnership arrangement would assume that national implementers are actively involved in project management; they would influence the project design and decision making on equal foot with international institutions. This arrangement would incorporate strategies for strengthening public institutions, expert organizations and civil society organizations. One project component would be related

to capacity building of the national partner organizations (the scope will depend on the initial capacities) in order to strengthen their regular and new working practices, capacities for design and implementation of new policies, etc. Implementers would build partnership relations with beneficiaries and make sure to tailor the activities to the beneficiaries' capacities.

The potential drawbacks of this arrangement relate to an increase in fiduciary risks and workload for the Swiss Embassy due to higher monitoring demands and other types of support to the national implementers. In addition, SDC may need to apply more complex procedures for the selection of appropriate international and national partners and for audits of their capacities and working systems throughout the project implementation. SDC should take due care that the partnership arrangements and roles are duly described in the ProDoc and that outcomes reflect the level of empowerment of the national partners and the quality of the new processes. The quantity and quality of outputs should be adapted to the capacities of implementers to deliver and real capacities of beneficiaries (in order to avoid substitution).

An example of this arrangement is already applied in the AMC project, where SALAR shares project management functions and responsibilities with both AMCs. In future projects, such arrangements could be envisaged in the whole-of-canton approach – with a relevant Swiss canton involved in the capacity building and transfer of experiences. Also, in the projects for strengthening civil society, this arrangement could be realized within a consortium of like-minded organizations with compatible mandates and nature of activities. The national CSO(s) would preferably be in the lead role and international COS(s) in the backstopping role. One project component could be related to capacity building of the partner, particularly focusing on realization of mandates and constituency building (relations with their members, supporters, volunteers, etc.).

Consortium between national and international organizations or companies with focus on efficient project management

Such a partnership arrangement would ensure the focus on efficient project implementation, while crowding in relevant national organizations for the provision of expert services. It could be applied in any future project. This arrangement would be different from the first arrangement, described above, in that the national organizations and companies would be given more opportunities to work on the market and, thus, strengthen the country systems for taxation, health insurance, retirement funds, social welfare funds, public revenues, labor market, etc. Furthermore, members of the consortium would be expected to bring in a different, localized philosophy and approach to the project implementation in terms of expertise and relationships towards the beneficiaries. By having UN agencies as implementers, their entire system works outside of the national system.

This arrangement would guarantee the delivery of expected outputs, fiduciary risks should be kept rather low (the international member of the consortium could be held responsible) and the work for the Swiss Embassy should remain at relatively low level. Thus, SDC could apply a similar approach to decision making and ProDoc (expected outcomes) requirements from implementers as in the earlier period.

Table: Overview of potential future strategic partnership arrangement

Partnership arrangement	Typical project(s) to apply the option	What would this mean in terms of outcomes?	What would this mean for SDC's approach?
UNDP in the role of a consultancy firm, not primarily as a guarantor for international standards	Ongoing projects. Any future project.	High focus on efficient project implementation, making sure that the expected outputs are delivered.	No change in decision making and ProDoc requirements.
UNDP with changed role – in partnership with country institutions and relying on the country systems	Ongoing projects. Any future project	Expected outputs and outcomes should reflect the project efforts to build capacities of the country institutions as well as to put in place new systems and services.	New approach is needed to define different outputs, outcomes and implementation arrangements in the ProDoc; and to invest more efforts in future monitoring of the projects.
Partnership between the national (in country) institution(s) or service provider(s) and international competent institution(s	Future projects	The quantity and quality of outputs should be adapted to the capacities of implementers to deliver and real capacities of beneficiaries	SDC should take due care that the realistic outcomes and the desired partnership arrangements are duly described in the ProDoc.
Consortium between national and international organizations or companies with focus on efficient project management	Future projects	High focus on efficient project implementation, while crowding in relevant national organizations for provision of expert services. This would strengthen the country systems for taxation, health insurance, retirement funds, social welfare funds, public revenues, labor market, etc.	Apply a similar approach to decision making and ProDoc (expected outcomes) requirements from implementers as in the earlier period.

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8 Annex 2: List of actors interviewed during the field mission

1. Embassy of Switzerland/SDC (Andrea Rauber Saxer, Barbara Dätwyler Scheuer, Dimka Stantchev Skeie, Alma Zukorlić, Srećko Bajić, Patrick Egli, Suvada Bakaran, Haris Lokvančić)

2. International organizations:
   — UNDP: Steliana Nedera (UNDP Resident Representative) and representatives of thematic sectors: Adela Pozder-Čengić (Head of the Rural and Regional Development Sector), Armin Sirćo (Senior Coordinator and Head of the Social Inclusion and Democratic Governance Sector); Sukhrob Khoshmukhamedov (Deputy Resident Representative)
   — EU Delegation to BiH, Mr Gianluca Vannini (Head of Operations Section III / Social Development, Civil Society and Cross Border Cooperation)
   — World Bank, Mr Igor Palandžić (Water Specialist) and Ms Zuhra Osmanović Pašić (Governance Specialist)
   — GIZ Regional Capacity Development Network (RCDN) for Water and Sanitation Services project co-financed by SECO, Ms Amira Omanović (Deputy Project Manager)
   — SIDA/ Swedish Embassy, Mr. Mario Vignjević (Programme Officer)
   — USAID Mission to BiH, Ms Selma Sijerčić (Program Management Specialist in charge of the LocalWorks programme)
   — Office of the High Representative, Michael Sanclan
   — UNICEF Social Inclusion Project, Selma Kalić and Alvin Nijholt
   — OSCE Mission to BiH, Ljiljana Perkušić
   — Embassy of the Czech Republic in BiH, Ms. Jana Zelingerová (Head of Development Cooperation Department, Consul), Ms Anesa Terza Vuković (Coordinator of the Department for Development Cooperation)

3. SDC projects:
   — Integrated Local Development Project (ILDP), Ms Aida Laković Hošo (Project Manager)
   — Strenghtening of local communities in Bosnia and Herzgovina (co-funded by Sida): Ms Majda Ganibegović (Project Manager)
   — Municipal Economic and Environmental Governance (MEG), Mr Goran Štefatić (Project Manager)
   — Strengthening of Associations of Municipalities and Cities (co-funded by Sida): Ms Denisa Sarajlić Maglić (Project Manager)
   — Integrated Local Development Project (ILDP), Ms Aida Laković Hošo (Project Manager)
   — Strenghtening of local communities in Bosnia and Herzgovina (co-funded by Sida): Ms Majda Ganibegović (Project Manager)
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   — Strengthening of Associations of Municipalities and Cities (co-funded by Sida): Ms Denisa Sarajlić Maglić (Project Manager)

4. Council of Europe: Loreta Vioiu

5. Friedrich Ebert Stiftung: Tanja Topić

6. Experts for local governance: Mr Aleksandar Živanović, Ms Milanka Šopin, Ms Tatjana Muhić

7. Both Associations of Municipalities and Cities
   — FBiH: Ms Vesna Travljanin (Executive Director), Ms Šejla Hsić (Project Manager)
   — RS: Mr Aco Pantić (General Secretary), Mr Predrag Pajić (Project Manager)

8. Federal institute for Development Programming: Nijaz Avdukić

9. RS Ministry of European Integration, Nataša Žugić

10. Public Administration Reform Coordination Office (PARCO): Dragan Ćuzulan (Director), Ferid Otajagić (Deputy Director); Aneta Rajić (Head of Unit of Donor Coordination, Finances, Monitoring and Evaluation), Nedžib Delić (Head of Operational Unit)

11. Entity ministries in charge of LSG:
    — FBiH Institute for Local Self-Governance (affiliated to the FBiH Ministry of Justice): Mr Enver Išerić, Director; ….., Assistant
    — RS Ministry of Governance and Local Self-Governance: Ms Slavica Lukić (Deputy Minister), Ms Novka Blagojević (Officer in charge of local development)

12. Cantonal ministries in charge of local self-governance (Prime Ministers, development teams):
    — Sarajevo Canton: Ms Majda Fetahagić (Deputy Director of the Cantonal Institute of Development Planning)
    — Bosnia-Podrinje Canton: Ms Aida Obuća (Prime Minister) and Aldijana Drljević Omanović (Assistant)

13. Municipalities/Cities
    — Tešanj: Suad Huskić (Mayor); Hamzalija Hojkurić (municipal coordinator for MEG); Hasan Plančić (municipal coordinator for MZ Project)
    — Prnjavor: Željko Simić (President of the Mun Assembly); Slaviša Milanković (Deputy Mayor); Ljubiša Šikarac (Head of the Dept of Economy); Ljubiša Sibinčić (Director of the Water Utility)
    — City of Sarajevo: Dragana Solaković (Head of Dept of Local Self-Governance); Nermina Suljević; and a junior assistant

14. NGOs:
    — Center for Promotion of Civil Society, Ms Aida Daguda (Directress), Dajana Cvjetković
    — Centers for Civic Initiatives: Dario Jovanović
    — Aquasan (by Skype): Vesna Muslić, Sandi Zulić, Aida Jusufhodžžić

15. Regula Bäbler (ex SDC)

16. Dorothy Rosenberg (UNDP), author of the National Human Development Report)

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swisspeace is a practice-oriented peace research institute. It analyses the causes of violent conflicts and develops strategies for their peaceful transformation. swisspeace aims to contribute
to the improvement of conflict prevention and conflict transformation by producing innovative research, shaping discourses on international peace policy, developing and applying new peacebuilding tools and methodologies, supporting and advising other peace actors, as well as
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