

Institutions and Economics:  
The Effectiveness of Reconstruction Efforts in Bosnia

A thesis submitted in partial fulfillment of the requirement for the  
degree of Bachelors of Arts in International Relations from The  
College of William and Mary

By

Ashley Megan Kramer

Accepted for \_\_\_\_\_  
(Honors, High Honors, Highest Honors)

\_\_\_\_\_  
Paula Pickering, Director

\_\_\_\_\_  
Michael Tierney

\_\_\_\_\_  
Till Schreiber

Williamsburg, VA  
April 24, 2008

## **Table Of Contents**

Chapter One: An Overview of Economic Reconstruction	1
Chapter Two: How the Process Works	14
Chapter Three: Designing the Field Research	26
Chapter Four: Influential Factors in Institutional Effectiveness	37
Chapter Five: Hearing From the People	62
Chapter Six: Getting the Whole Story	91
Chapter Seven: Concluding Remarks	104
Appendix A: Map of Bosnia	110
Appendix B: List of Acronyms	111
Appendix C: Interview Questions	112
Appendix D: Survey Questions	113
Appendix E: Bibliography	116

## **Chapter One: An Overview of Economic Reconstruction**

The streets are made of giant cobblestones, lined by small shops selling everything from intricately designed copper Turkish coffee sets to imported Persian tapestries. Every seller will bargain, assuming he knows enough English words to do so, and after an afternoon of shopping by gestures, nothing tastes better than a plate of cevapi and a scoop of ice cream. The air is hot and sticky down in the city, but one glance through the aisles of the pedestrian walkways reveals the green and glorious hills above. It is hard, maybe impossible, to imagine what Sarajevo's old city, the Bascarsija, would look like with mortars and shells raining down from those very same hills, and yet, stop anyone on the street or in a café and they will tell you what life was like during the siege, for everyone has a story to tell. People often ask me what Bosnia is like, and although the country's physical attributes are stunning, they cannot compare to the rich cultural patchwork that makes up its population.

I was about to turn 21 when I took my first trip to the Balkans in the fall of 2006, traveling with a class of 25 students from all over the world to Sarajevo, Belgrade, Zagreb, and several smaller cities in between. We met with cultural and political leaders, social activists, and scholars every day in an attempt to unearth the nuances of the Balkans' complex heritage, dealing with questions about how something as horrible as genocide could occur on Europe's back porch and under the lights of American media, and what is being done today to restore what was once a shining example of multiethnic diversity. Upon my return to the States, I knew I could not allow my experiences to lie dormant, and so in the summer of 2007 I returned to Bosnia alone to see the reconstruction process first hand and ask a new set of questions about its effectiveness and progress.

This introductory chapter is designed to provide readers with the necessary knowledge for understanding the research in subsequent chapters. I will begin with a brief background of the conflict in Bosnia and the governing structure established by the Dayton Peace Agreement. I will then move into a discussion of economics as a cause of the conflict and how economic reconstruction attempts to address those issues. The second half of the chapter provides a brief look at the empirical portion of this project, including the theoretical underpinnings, variables, and findings produced.

### **Summary of the Conflict and Reconstruction Process**

In today's increasingly connected and interrelated world, conflict has unfortunately become an integral part of our foreign affairs vocabulary, particularly when speaking about deeply divided ethnic societies. Bosnia is made up of three main ethnic groups with religious affiliations attached to each; the Bosniaks are generally Muslim, the Croats are Catholic, and the Serbs are Orthodox Christian, and although these factions dominate most of the dialogue, there is also a significant minority of Jews, individuals with mixed backgrounds, and others. When Yugoslavia disintegrated in the early 1990's, the major conflicts arose between these three groups within Bosnia and their respective countries internationally. The onslaught began in 1991 when Serbia attacked Slovenia and Croatia using the Yugoslav National Army in response to their announcement of independence. Bosnia had two options: maintain its position within the disintegrated Yugoslavia in the face of Serbian nationalist rhetoric or declare its own independence and get caught in the middle of the current conflict. And so in early 1992, a referendum in Bosnia resulted in independence, to which the Bosnian Serbs respond by declaring an independent Serb Republic within Bosnia. By April 1992, full scale war in Bosnia had begun.

Ethnic cleansing and other forms of extreme violence throughout Bosnia exemplified just how brutal and personal the war had become. The Bosnian Serbs laid siege to Sarajevo, keeping the city under consistent mortar fire and shelling, in addition to sniper fire from the surrounding hills. In 1994, two instances of shelling in a downtown marketplace left almost seventy civilians dead and two hundred wounded. Hostility raged throughout the country, culminating the massacre of 8,000 Bosniak men and boys in the UN protected safe area of Srebrenica. When the Dayton Peace Agreement officially ended the war in 1995, the death toll had reached almost 100,000 with nearly two million refugees and internally displaced persons.

Every time a war ends those involved must work to rebuild their lives, their homes, their governments, and all other aspects of normal life. The process, described here as post-conflict reconstruction, involves putting back together some of the pieces that war has torn apart. Bosnia's reconstruction phase began in Dayton, Ohio with the signing of the Dayton Peace Agreement, also known as the General Framework for Peace in Bosnia and Herzegovina. This document did more than most ceasefire agreements; in addition to stopping the violence, it set up a constitution for Bosnia's new government and specified roles that the UN and European organizations would play in Bosnia's political make up and economic life.

Signed by Serbian president Slobodan Milosevic, Croatian president Franjo Tudjman, and Bosnian president Alija Izetbegovic, the document divided Bosnia into two entities, the Federation of Bosnia and Herzegovina and Republika Srpska (RS), and the Brcko district, a self-administered political unit. This inter-entity boundary line partly followed the front lines of the war as they stood at its conclusion, giving the Federation fifty-one percent of the territory and the remaining forty-nine to RS. The Federation was further divided into ten cantons, each with its own set of ministers and bureaucratic administration. At the national level, Bosnia now has a

three-person presidency, with a president from each major ethnic group elected from their respective entities (i.e. the Serbian president is elected from Republika Srpska). In effect, Dayton carved Bosnia into fourteen separate and distinct political administrations: one state, two entities, one district, and ten cantons. Additionally, the Dayton Agreement set up an international office to oversee the implementation of its civilian components known as the Office of the High Representative (OHR), which is still in existence today. This appointed international official has impressive political authority, with the power to write laws and dismiss officials, elected or otherwise, for undemocratic behavior. The position was intended to help move political development along when conflicting ethnic-based political parties came to an impasse.

In addition to creating a new political environment, international, regional, and local actors had to address issues of economic reconstruction, an essential part of creating a society that will not collapse back into conflict. Bosnia's economy presented a unique challenge, requiring both post-conflict and post-socialist transitions. As a province within the former Yugoslavia, Bosnia existed under "a hybrid for of socialism combining both market and socialist elements [and] enjoyed a reasonable degree of economic prosperity" (Donais 5). During the Cold War, Yugoslavia's unique position as a socialist country outside of the Iron Curtain made it an ideal candidate for access to international markets and financial aid from both sides of the conflict. Combined with a period of rapid industrialization, Yugoslavia as a whole "experienced a reasonable degree of economic success" (5) for the first years of the Cold War period. In describing its fall from this position, Timothy Donais writes, "Yugoslavia's post-war dynamism began to dissipate in the 1970's, a result not only of internal dynamics but also of changes in the international economy," (6). This continued into the 1980's until not even the inflow of international capital could continue to prop up a partially planned economy, and eventually

similar fundamental economic principles that precipitated the collapse of the Soviet Union caught up with socialism's poster child.

When Yugoslavia finally collapsed in 1991 following declarations of independence in Slovenia and Croatia, economic crisis contributed greatly not only to those decisions, but also to the conflict that followed. Nine years earlier, Yugoslavia had applied for a loan from the International Monetary Fund (IMF); it was granted under the condition that Yugoslavia adopt "a radical austerity program that included an anti-inflationary macroeconomic stabilization policy, trade and price liberalization, and market-oriented institutional reforms aimed at imposing monetary discipline and real incentives on both firms and governments," (Donais 6). By freeing prices and limiting the government's ability to intervene and raise output using expansionary monetary policy, Yugoslavia entered a period of increasing unemployment and decreasing real income.

For a population accustomed to a welfare state that provided constant support in the form of subsidies, these new developments left people incredibly dissatisfied and insecure. It was within this economic context that Milosevic and Tudjman rose to power. These nationalist leaders in Serbia and Croatia provided people with "another safe haven of security: that of national homogeneity," (Vejvoda 20). Rather than addressing the economic hardships, these leaders' rhetoric and behavior fueled the brewing conflict. This understanding of Yugoslavia's descent into war makes an argument against ancient ethnic rivalries as the primary cause of conflict; instead, "particular historical and political circumstances [and not] a genetic condition" (Donais 7) must be held responsible.

### **The Promise of Economic Reconstruction**

Because the economy played such a large part in its downfall, economic reconstruction ought to be an essential element of the strategy to rebuild all of the former Yugoslavia in general and Bosnia in particular. Several actors joined this effort at the end of the war and remain involved today, including international financial institutions like the World Bank, local development agencies, and local government institutions. As stated earlier, these organizations faced a dual challenge in simultaneously promoting recovery from the war and liberalizing the former socialist state. These processes require several different types of strategies, including rebuilding basic infrastructure, reforming socialist government institutions, and creating an accessible environment for capitalist-oriented businesses and other firms. Unfortunately, even twelve years after Dayton, Bosnia still struggles economically. With unemployment rates somewhere between twenty and forty percent (CIA World Fact Book), varying based on the estimate of the size of the gray economy, the Bosnian people are disillusioned, disheartened, and at a loss for how to move forward. Overall, economic reconstruction has been a partial success at best, and its prospects for continued improvement appear slim.

The specific question to be addressed in this paper is: does the type of organization involved in economic reconstruction impact its institutional effectiveness? This issue is important on several levels. First, addressing economic issues often touches on efforts to remedy the root cause of a conflict, rather than just the symptoms. Altering the economic situation in a country, whether that involves developing a market, economy rebuilding war-torn infrastructure or closing inequality gaps, can fundamentally shift the balance of power in favor of steady, peaceful progress versus pursuing revolution via resumed violence. If certain types of institutions are engaging this process through infrastructure construction, job creation, or



entrepreneurial advancement in a more successful way, those lessons ought to be carried to the next post-conflict situation in the hopes of eliminating a source of the conflict.

Additionally, the effectiveness of the reconstruction process matters to the local population and those engaging in it. Public opinion polls show that economic issues dominate the concerns expressed by citizens of post-conflict Bosnia. People want to see improvement in their personal financial situations and they want to be able to adequately provide for their families. Lastly, economic reconstruction as a process is important for the institutions engaging in it and the governments that fund them. If, for example, international institutions are significantly less effective than local organizations or vice versa, policymakers and international officials can redress the allocation of funds to each type of institution accordingly. The more realistic expectation, however, is to look for some type of cooperative arrangement between these various organizations based on their particular strengths and weaknesses. This study is important because post-conflict reconstruction is essential to both those it impacts and those engaging in it, and if it can be done more successfully, then policymakers and implementers can adjust appropriately.

### **Theoretical Background**

Theoretically, this project rests on two distinct international relations paradigms: constructivism and rational choice theory. Constructivism is based in the belief that states have identities, and these are an aggregate of the values and norms of individuals within the state. By changing their beliefs, one can actually change that state's identity, thereby changing its goals, interests, and behavior. Under this framework, institutions serve as promoters of specific values and norms, as well as forums for discussion among states concerning their core beliefs. For this project, I am asserting that institutions serve this function in economic reconstruction;

institutions in Bosnia promote certain values, including competition, entrepreneurship, and others associated with the market economy. The difference then between international and local institutions lies in their ability to connect with individuals' identities. Because this is an ever-changing process, an understanding of the current and past identities is essential to shaping future ones. This is particularly poignant in Bosnia and Herzegovina, given its history as a socialist country and the extensive value system that that type of economy promotes, coupled with a rich multiethnic background and the legacy of war. As different institutions attempt economic reconstruction and the promotion of a market economy, they must address these existing norms in an culturally sensitive manner, which requires a thorough understanding of this unique culture.

Utilizing a constructivist theoretical lens suggests that whichever set of institutions more effectively reaches the identity of the individual should be better equipped to address economic reconstruction. In this case, existing literature on Bosnia's reconstruction agrees with this claim, advocating the importance of homegrown policies and a nuanced understanding of the conflict and post conflict needs in promoting effective long-term reconstruction efforts (See Brown, Cohen, David, Donais, Mendleson-Forman, and Woodward). It follows then that local institutions made up of local people who understand these idiosyncrasies can better relate to others that have been through the conflict, making them more equipped to address economic reconstruction. In contrast, international institutions arrive in a post-conflict area such as Bosnia with a set of skills and programs already developed, in addition to an international agenda promoted by governments around the world. While this high level of expertise provides certain benefits in addressing technical issues, these institutions' limited cultural understanding may reduce their ability to promote tailor-made programs among the local population. Should these

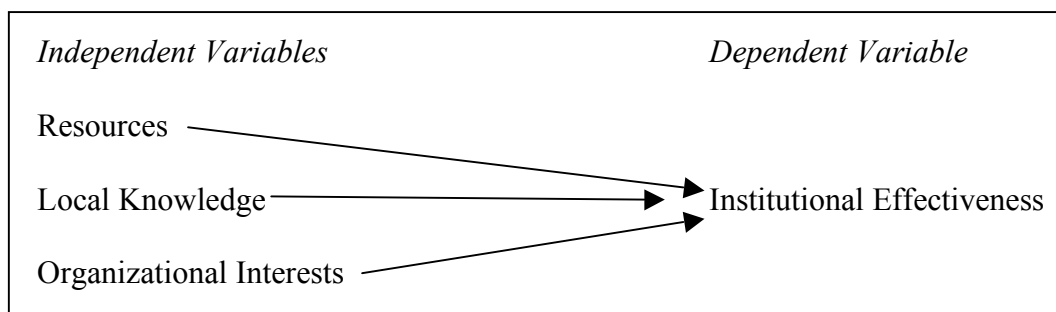
claims hold, local institutions would prove more effective at engaging in economic reconstruction than their international counterparts. However, this argument fails to take into account the drastic inequalities when considering the resources available to both sets of institutions, meaning local institutions may be limited in their success by their lack of sufficient funding or technical expertise. International institutions, on the other hand, come with a larger budget and an experienced staff that may enhance their effectiveness in less culturally sensitive areas, such as rebuilding infrastructure. This suggests the need for a more detailed examination of the particular portion of economic reconstruction that each institution chooses to pursue.

Understanding local nuances, while a necessary condition for effective reconstruction, may not be a sufficient one. Rational choice theory may help us understand why. It “uses the language of microeconomic theory to explain state choices...[where] actions are based on rational calculations about subjective expected utility,” (Karnes and Mingst 48). My adaptation of this theory replaces the state with different institutions as the primary actors, while the principles remain the same. This suggests that it must actually be in the interests of the institutions to pursue effective reconstruction in order to be successful; if not, the organization will not pursue policies with that goal in mind. In Bosnia’s case, local government institutions may present an example of institutions with alternative sets of interests. They will not engage in economic reconstruction effectively if government officials are more concerned with consolidating of their own power through ethno-nationalist rhetoric and capturing economic resources for personal gain than they are interested in reconstruction projects. This would clearly limit an institution’s ability to be effective, and must also be considered as a factor in their evaluations.

## **Variables and Measures**

The theories discussed earlier demand operationalization of three distinct independent variables, including local knowledge, resources, and organizational interests. “Resources” is a fairly straightforward measure of how well equipped an organization is to tackle their projects; this includes budgets in addition to issues like economic expertise. I am using the term “local knowledge” to describe how well an institution understands cultural idiosyncrasies and taps into the local identity. This is a categorical measure, where each organization will be classified as “high” or “low” local knowledge, based on the ethnicity and length of duty of employees within the organization and what role local opinions play in the construction of their mandate and project frameworks. “Organizational interests” refers to the goals an organization is pursuing, asking the question: is successful economic reconstruction in Bosnia the primary interest? I will measure this by examining organizations’ mission statements, as well as what their representatives cite as their main goals. These three independent variables try to capture the main factors that determine institutional effectiveness in economic reconstruction.

**Figure 1: Variable Diagram**



For this project, I will be measuring “institutional effectiveness”, the dependent variable, in three ways, which is an essential task in capturing the full meaning of “effectiveness”. First, I will use data from Bosnia’s Federal Office of Statistics to capture different measures of economic progress, including GDP, GDP per capita, and unemployment figures from just after

the war and today. This information will serve as control data, and used for comparison with institutions' areas of focus; these comparisons will show which sectors of the economy continue to suffer despite economic reconstruction. I collected this information while I was in Sarajevo, and most of the current data is in English; for the editions that are not, their counterparts have the translations. Secondly, I will use the institutions' self-reported effectiveness on specific projects as another measure. These issues include how well they have fulfilled their mandates and what problems they ran into in their execution. I collected this data through in-depth interviews with several organizations in the summer of 2007, including the World Bank, Chambers of Economy and local development agencies. Lastly, because my hypothesis emphasizes the importance of people's connection to the work of these institutions I chose to survey the local populations in Zenica and Tuzla concerning their opinions on the success of economic reconstruction.

Unfortunately, I had to collect this data in a fairly ad-hoc way, rather than through random selection, but the results demonstrate some trends will be very useful when triangulated with the other measures. These measurements are a combination of qualitative and quantitative work in order to fully capture all facets of "effectiveness" as a concept.

### **Summary of Findings**

The results of this project demonstrated a major disconnect between what measures of the independent variables suggest should be the most successful institutional arrangement and what the dependent variable measures revealed as actually most effective. After examining in detail the resources, local knowledge, and organizational interests associated with international, local non-government, and local government institutions, local non-government organizations showed the most promise for institutional effectiveness. They exhibited high levels of local knowledge and very positive organizational interests, as well as an established cooperative arrangement with

international institutions that provide resources in terms of funding and technical expertise.

Local government organizations could enhance local non-government organizations' effectiveness by creating and enforcing the necessary regulations and policy environment for market operations.

However, local non-government organizations did not score well on measures of the dependent variable; instead, international organizations rose to the top. In looking at both the results of the survey, and general economic indicators triangulated with interview data, international organizations appear to have been most successful at economic reconstruction. By focusing initially on large infrastructure projects and advertising their involvement to local population, international organizations raised awareness of their efforts and completed projects that had a seemingly obvious positive impact on Bosnian communities. In Chapter Six, I argue that poor marketing on behalf of local non-government organizations and a poorly educated population contribute to this divergence, and offer recommendations based on these findings to improve the entire reconstruction process.

### **Looking Ahead**

This first chapter serves as a brief summary of the arguments and information to follow. The second chapter provides a deeper look at existing literature in the field of economic reconstruction in general and introduces my theoretical arguments in greater detail. The third chapter explains the methods and procedures I utilized in my research, and the fourth and fifth chapters are dedicated to the study's findings. The sixth and final chapter is an analysis of these results and discusses their application to Bosnia's current reconstruction process.

I love Bosnia, from the cevapi and potato pie to the curious mix of Austro-Hungarian and Turkish architecture. I love the language and the way that Bosnians, even in their most serious

discussions, still sound like they are making jokes. That is the spirit of this place that even genocide could not dispel, where so many have seen too much and yet somehow the people survive with laughter in their eyes covering the scars in their hearts. The opportunity to contribute to Bosnia's successful restoration is the driving force behind this project, along with the reality that Bosnia's situation is not unique. It has been twelve years since the signing of the Dayton Peace Agreement and although there is still much work to be done, the international community's patience and dedication to Bosnia is waning. It would be yet another crime against humanity to leave without having learned something.

## **Chapter Two: How the Process Works**

“A huge economic reconstruction program was essential to any Bosnia settlement...lasting peace in the region required rebuilding the interdependent economy...” Richard Holbrooke, lead US negotiator at Dayton

Conflict resolution scholars and policymakers alike have recognized the essential role economic issues play in the onset of a conflict and the importance of addressing those issues in reconstruction to prevent a relapse. In the words of Berdal and Malone, “the need to incorporate, at some level and in some form, the ‘economic dimension’ in order to better understand the causes and the persistence of conflict is uncontroversial,” (Donais, 27). Because economic issues are a key feature of conflicts, addressing them must be a prominent part of reconstruction in general. This chapter is dedicated to the current theoretical knowledge addressing the process of economic reconstruction and the role individuals and institutions play in facilitating or hindering success. I begin with a look into how the economy contributes to post-conflict situations, followed by a discussion of economic reconstruction as a process and the current criteria used to evaluate its success. I then move on to the role resources, local knowledge, and organizational interests play in determining institutional effectiveness. The chapter concludes by offering a series of hypotheses concerning the strengths and weaknesses of different types of organizations involved. Peacemakers know the economy is important, but the question remains: if we know it matters, why have we failed to address it in some areas of post-conflict reconstruction?

### **The Economy: a Blessing or a Curse?**

When people experience financial success in their own lives, they become invested in the state’s provision of an environment where that reality continues to flourish; in this way, reconstructing the economy becomes a primary task for ensuring sustainable peace in a post-



conflict setting. A robust and thriving economy benefits the people directly, and as Craig Cohen writes:

The goal should be to get as close as possible to the ground truth as seen through the eyes of the local people. How the average man or woman on the street perceives progress on a daily basis is the most important dimension of measuring progress, since they are ultimately the ones who determine whether international efforts will succeed or fail over the long-term. (Cohen, 12)

In other words, the economy is a key feature of the reconstruction process because it touches the lives of the individuals on the ground in an obvious way; their personal financial well-being impacts their perception of success in reconstruction. In a 1999 report on progress on the ground in Bosnia, the International Crisis Group aptly noted, “the primary desire of all Bosnians is to have a good job, earn a good living, and provide for their families in a decent normal manner,” (ICG, 10). In light of that goal, institutions must engage in effective economic reconstruction in an effort to tie individuals’ personal interests to the success of the state; they must give people a stake in the system.

A poorly facilitated economic environment operates in the reverse, doing harm by creating space for corruption and undermining legitimate paths to political power. If the economy is not reconstructed in a way that provides opportunities for financial success throughout the population, it can become a tool in the hands of a powerful few that take advantage of the many for personal gain. In order for economic reconstruction to complete its objective as described above, “gray and black market activity must cease to be the dominant mode of economic transaction and illicit wealth must not be allowed to determine who wields political power,” (Cohen, 8). Left on its own, the economy is an opportunity for state capture and corruption, rather than the driving force behind sustainable peace. Even “well meaning schemes to revitalize economic activity...[if not carefully executed] could inadvertently

empower spoilers and fuel conflict,” (Mendelson-Forman). In a post-conflict setting, the economy must be cautiously but firmly addressed in reconstruction; failure to do so will have disastrous consequences.

### **Breaking Down the Process**

Since economic reconstruction is clearly a key feature of building a successful state out of the chaos of war, it is important to understand what this process entails. It begins with a careful examination and evaluation of the current situation on the ground in order to insure against poorly targeted projects and reforms. Ideally, this should be followed by an intense period of employment creation and progress. As Cohen describes it, “an initial analysis should be carried out prior to an intervention to determine the difficulty of the situation and to identify the possible obstacles to success,” (Cohen, 5). As with any strategic planning process, this early evaluation must not be neglected, because it will provide a picture of the needs of the people and potential challenges to implementation so that those responsible for intervention can prepare appropriately. Specifically, this analysis must include “an assessment of the demographic and economic characteristics of the working-age population in former conflict areas. This survey should focus on market demand, skill levels, infrastructure, availability of credit, and entrepreneurial capacity of the population,” (Mendelson-Forman). Just as every conflict is different, the situations left behind are equally diverse; there is no one-size-fits-all approach available for reconstruction and this evaluation allows for a tailored response.

Once this initial assessment has been completed and intervention begins, several important sectors of the economy must be pushed towards a functioning market system, ranging from physical infrastructure development to improving banking regulations. Cohen describes a list of eight central tasks that must be accomplished, including:

Depriving obstructionists of illicit revenue streams, meeting basic needs, creating jobs, developing the macro-level framework for expanding and opening the economy, ensuring the integrity and adequacy of the revenue stream for essential government activities, reintegrating and resettling displaced persons, rebuilding a sense of community, [and] addressing structural inequalities that drive conflict. (Cohen, 9)

The Center for Strategic and International Studies (CSIS) and the US Army have laid out a more detailed response strategy that addresses establishing economic well-being in eight key areas, from initial response through transformation and fostering sustainability. These areas include: economic strategy and assistance, physical infrastructure, employment generation, markets, legal and regulatory reform, international trade, investment, and banking and finance. Clearly, the economic reconstruction process requires a myriad of interconnected and often technically complicated reforms.

Job creation, one of the essential microeconomic activities listed above, may be time-sensitive; the challenge for institutions is to capitalize on the “golden hour” and establish a foundation for the rest of reconstruction through job creation. Mendelson-Forman and Mashatt’s analysis of the US government’s involvement in post conflict regions lays out a framework for making the most of its first year of involvement. The golden hour is defined as the time when “the international community and the affected country can act either to lay a foundation for a full recovery or to set the path for a recurrence of fighting...actions taken during this time frame will determine success or failure in the medium to long run,” (Mendelson-Forman). During this time, they argue, the people will be most supportive of peace and therefore most responsive to employment-generation initiatives. Increasing employment not only supports the economy, but also the reconciliation process by promoting the concrete benefits of peace.

The macro-economic transition away from conflict and into a functioning economy takes place in two stages, relief and development; these are based on two strategies, the natural disaster

model and the postwar stabilization and reconstruction model. Involvement in the relief phase occurs during the first year or two after a ceasefire agreement has been established, and it is based on “humanitarian principles [and provided] by humanitarian organizations” (Woodward, 189). The strategy follows the natural disaster model, labeled as such due to the crisis-like nature of the years immediately following the conclusion of a conflict. This model requires that organizations act fast and stay flexible to enhance their ability to respond to crisis. During the relief stage, the defining ‘principles are rapid response and the use of local labor [and] its aims are to provide an immediate, visible peace-dividend in food, shelter, and basic utilities” (Woodward, 189-190).

Once the crisis has been “addressed”, economic reconstruction moves into the development phase, which utilizes the postwar stabilization and reconstruction model, as defined by international financial institutions. This is also broken down into two steps: macroeconomic stabilization and structural adjustment. The process “begins with an IMF conditionality program” (Woodward, 191), where international aid is tied directly to the domestic government’s efforts to stabilize its currency and address current account imbalances. Then, the World Bank steps in with “sovereign loans mobilized...in support of Bank-designed projects for large-scale physical infrastructure and for reform of economic institutions and policies to effect liberalization and privatization” (Woodward, 191). This phase requires an intimate relationship between international developers and the local government. While the relief phase targets immediate problems and produces immediate results, the development phase is designed to rebuild an economy that promotes long-term sustainable growth.

Once economic reconstruction has begun, the institutions involved in implementation must continually evaluate their success at completing the objectives described in the above

frameworks. It is important to understand the criteria used throughout the process and why simply fulfilling a mandate or completing a project may not be enough. Often times, an organization's involvement in a post-conflict setting is evaluated based on its initial mandate, asking the question, did the institution complete the job it set out to do? However, George Downs and Stephen John Stedman point out a major problem with this method of assessment; "it allows an institution to be successful by doing nothing more than lowering its goals or by setting very modest goals in the first place, rather than by accomplishing something substantive," (Downs and Stedman, 45). If from the outset, strategists within an institution recognize that they will be judged on meeting goals they set for themselves, they have no incentive to attempt anything that could potentially be out of their reach. Instead they choose more manageable goals so that, according to their mandate, they will succeed. Therefore, using mandate fulfillment alone as a measure of institutional effectiveness is insufficient.

Similarly, looking only at the success of one project or another may not accurately measure the impact of an institution's involvement on overall progress. Oftentimes, "both in-house and independent evaluations perform audits of record-keeping and financial transactions...and ascertain whether a particular project or program was implemented as planned," (Woodward, 199). However, these measures do not describe the impact of these projects on development on a broad scale. Even assessing the amount of money that goes into a project has limitations in its usefulness. Several scholars point out that "the use of inputs as proxies for outcomes is inherently faulty," (Cohen, 10) because they do not demonstrate impact. Forman and Patrick reinforce these claims: "aid flows themselves tell us little about the *impact* of external assistance...performance is often evaluated according to success in transferring funds, rather than the appropriateness of the design of the aid" (Forman, 30). These arguments

suggest that simply measuring mandate fulfillment, projects completed, or funding alone cannot accurately describe the success of economic reconstruction. That is why, for this project, I have chosen to triangulate all of those indicators as measures of institutional effectiveness, in addition to the perspectives of individuals captured through the survey.

### **Influential Factors**

Now that I have established a foundational knowledge of the economic reconstruction process in general, I want to turn to what factors may contribute to its effectiveness or lack thereof. The first and most obvious reason for a lack of success within a certain category of institutions would be a lack of resources to complete their objectives. Without the funding and technical skills necessary to complete both the physical and political sides of their involvement, implementers will fall short of their aims. Susan Woodward points out that there can only be peace if someone is willing to pay for it; “the choices of policy and sequencing of tasks will be hostage to the source a availability of funds,” (Woodward, 197). Without the resources to rebuild the war-torn country both physically and institutionally, the peace process may collapse back into conflict.

Resources include more than simply the amount of money available. As mentioned above, projects and strategies must be designed properly and this requires implementers with a certain level of technical expertise. Again Woodward notes, “macroeconomic stabilization...cannot even begin, let alone become sustainable, if there is no government to adopt those policies or proper financial and legal institutions to make markets work and enforce contracts, property rights, and monetary and fiscal targets,” (Woodward, 203). Without the proper educational background, policymakers and other government officials simply may not understand how to engage in economic reconstruction successfully. Even if these people are

available, there must be money available to pay them; “without monies to finance the salaries of public officials, police, judges, teachers, doctors, and others who will actually restore basic public order, the most fundamental tasks will not occur,” (Woodward, 202). Obviously, the lack of available resources to complete the economic reconstruction process would inhibit its success.

A constructivist perspective on economic reconstruction emphasizes the importance of a second variable contributing to potential ineffectiveness: local knowledge. Constructivism rests on the belief that individuals’ understanding of their identities and social norms are the driving force behind state behavior. Karnes and Mingst point out, “organizations then may serve as agents of social construction, as norm entrepreneurs, trying to change social understanding,” (Karnes, 51). In Bosnia for example, when the goal is to change the identity of the state from one dominated by conflict and division to a peaceful democratic society, the institutions involved in reconstruction may contribute by changing the identities of the local population. One way to begin this process is by clearly understanding what the people want and need, and then involving their interests and opinions in the formulation of projects or mandates.

Several scholars have discussed the importance of local involvement and support and every stage of reconstruction, from designing the mandate, choosing assessment measures, and making success sustainable. It should start at the beginning, with the construction of the mandate, “providing citizens with an opportunity to participate in decision making and local development initiatives that affect their everyday lives,” (Mendelson-Forman, 14). When choosing how to assess success on the ground, Cohen points out, “designing reliable indicators [of economic success] requires considerable local knowledge both of the conflict dynamics and of what information is actually collectable,” (Cohen, 10). Eventually, the goal is to create sustainability among the local population and “successful projects can bring ethnic groups

together by empowering them to conceive and implement solutions to their own problems,” (David, 23). The decision to involve the local community in economic reconstruction process is critical to its success in each of these areas.

If institutions fail to pursue local knowledge, their institutional effectiveness will be severely limited. Woodward recognizes that a disconnect between the implementers and the local people leads to failed economic reconstruction entirely; she writes, “evidence regarding success tends to emphasize the importance of local initiative” in order to build social capital and social trust (Woodward, 185-186 and 208, see also Brown 5-10). International organizations in particular have been guilty of neglecting local input in favor of experience in other regions; indeed, sometimes “crucially important reforms have been seen by international administrators as technical requirements, to be overseen and implemented by experts, rather than as political decisions, requiring popular consultation and local input,” (Zaum, 350). Some would argue this is precisely the case in Bosnia, where “neither the means nor the ends of the international economic strategy for post-Dayton Bosnia have been particularly well calibrated to the local climate,” (Donais, 113). This lack of local knowledge may explain part of a given institution’s lack of success.

Using a rational choice theoretical lens to examine institutions’ behavior reveals the third important factor contributing to institutional effectiveness: the organization’s interests. Rational choice theory uses “the language of microeconomic theory to explain state choices,” (Karnes, 47). Essentially, the argument is that individuals within institutions weigh costs and benefits associated with the reconstruction process before they choose a course of action. In some cases, an organization may find the status quo to be more beneficial than reconstruction, and actually obstruct progress rather than pursuing it. For example, this could be the case for government



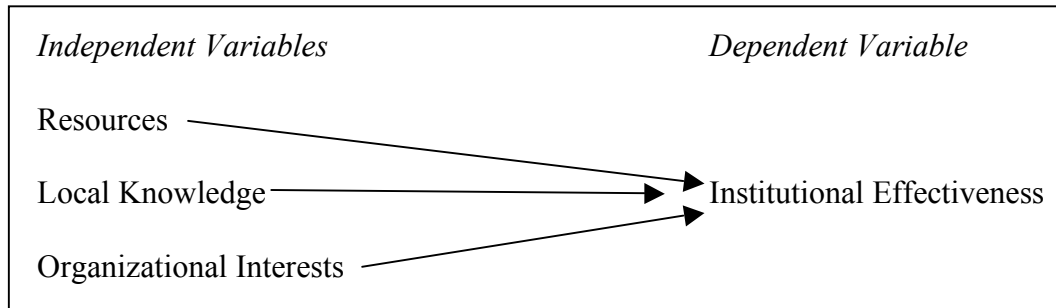
officials interested in consolidating power for personal gain. In other instances, however, the motivations for stalling reconstruction may be less obvious; effective reconstruction may be hindered when “competing interests (both within and between governments and multilateral organizations) prevent the sharing of information and encourage working in isolation,” (Cohen, 3). In each of these scenarios, the institution uses a cost-benefit analysis of what the reconstruction process requires, and they choose either a less-than-effective approach or even obstruct it directly.

Unfortunately, these types of issues have plagued the reconstruction process in Bosnia. Beginning with various institutions’ initial involvement in the country, “lead roles were allocated and defined primarily on the basis of institutional and national bargaining rather than comparative advantage,” (Cousens, 544, see also 560). In other words, organizations’ specific interests within the country determined their involvement, rather than their particular strengths or experiences. Timothy Donais articulates the ways in which this argument applies to both international and local government organizations working in Bosnia. He describes the role the domestic government has played in preventing effective reconstruction: “the nexus between organized crime and corruption on the one hand, and nationalist political forces on the other, represents the most significant domestic obstacle to the development of a market economy” (Donais, 67, see also 72 and 82). In other words, government institutions in Bosnia appear to have poor organizational interests, focusing primarily on consolidating political power. He also argues that international organizations have not done their part effectively:

The flawed international strategy economic strategy for Bosnia has been inadequately integrated into the broader political goals of the Dayton process, haphazardly implemented, and guided more by an ideological commitment to a neoliberal economic agenda than by a consideration of local economic, political, and social factors. (Donais, 11, see also 17 and 41)

These are both examples within the Bosnian context where institutional effectiveness has been severely limited by an organization's interests, whether that is manifested as political power in the domestic government or poorly targeted projects based on an outsider's agenda, as in international organizations.

**Figure 1: Variable Diagram**



Based on this literature, I am presenting several hypotheses concerning what factors may contribute to institutional effectiveness within three categories on institutions. International organizations, with large budgets and technical expertise, have the resources to execute reconstruction, but their organizational interests focus on neoliberal agendas and their failure to connect with the local population limits their local knowledge. Local Non-Government organizations, which are set up with reconstruction as the goal will have positive organizational interests, and because they employ local people, they will have significant local knowledge; however, their resources in both funding and experience are fairly limited. Local government organizations ought to have the resources to engage in reconstruction by bringing in tax revenue, and as segments of the wider population, their local knowledge should be high. Unfortunately, as described above, these institutions may suffer from poor organizational interests. Figure 2 lays out the hypotheses described above. Understanding these strengths and weaknesses suggests that, rather than utilizing only one type of institution in isolation from the rest, a

cooperative arrangement may be the ideal way to achieve success in economic reconstruction through institutional effectiveness.

**Figure 2: Initial Hypotheses**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
Resources	High	Low	Moderate
Local Knowledge	Low	High	Moderate
Organizational Interests	Both Positive and Negative	Positive	Negative

Acknowledging these hypotheses, as suggested by international relations and post-conflict reconstruction literature, is an important first step in understanding why certain institutions appear to engage in economic reconstruction more successfully than others. The rest of this project focuses on testing these claims, and in several cases, the results did not support these hypotheses. As described in detail in Chapters Four and Five, my results demonstrated that the existing relationships between international and local non-government organizations have actually resulted in significant transfers of resources. Additionally, there is an important distinction between local and state government organizations, as development agencies at the local government level actually demonstrated positive organizational interests, and suffered from shortcomings in both resources and local knowledge. Chapter Six offers some an explanation of these findings and discusses their applicability to the wider body of literature discussed here. Economic reconstruction is certainly a complex process, and understanding what factors contribute to institutional effectiveness throughout the process is essential to improving upon our past efforts in Bosnia and elsewhere.

### **Chapter Three: Designing the Field Research**

The post-conflict reconstruction process requires a reevaluation of current political structures, economic practices, and the implementation of new social regulations; it is an incredibly complex process involving thousands of actors and billions of dollars. This chapter serves as a detailed examination of the methods I used in conducting my field research, including in-depth interviews of nine organizations and a paper and pencil survey of 150 Bosnian respondents. The interviews were conducted with different officials from institutions working on the ground to begin an assessment of their effectiveness. Of the three types of organizations (international, local government, and local non-government), I found that each group faced a different set of challenges, but local non-government organizations appeared most prepared to address economic reconstruction successfully. Interestingly, the results of the survey were much different. I distributed the survey among local people working in shops or sitting in cafes, asking their opinions on the effectiveness of different institutions and assessing how the process has affected both their towns and their personal lives. These findings suggested that, according to the people, international organizations exhibit the highest level of institutional effectiveness.

This chapter is an examination of these research tools and the decisions I made with regard to their implementation. I will begin by discussing my overall research concept, including my operationalization of the independent variables (resource, local knowledge, and organizational interest) and my selection of towns using a “most-similar” design. The chapter continues with a look at the interview process, with specific discussions of my case selection and the interview style I employed. Then, I will examine the survey in detail, focusing on participant selection and the structure of the survey itself. The chapter finishes with suggestions for future research in this area, including ideas for addressing my shortcomings these areas of my project.

## **General Research Design**

I began my focus on understanding the key independent variable by classifying the institutions working in Bosnia as international, local government, and local non-government because I believed these distinctions pointed out differences that directly impact the organizations' abilities to engage in effective economic reconstruction. The established literature also argued that organizations falling into these three categories faced similar difficulties in achieving their goals or mandates. International organizations for example appear to struggle with some disconnect between their programs and the local people they targeted. They may also face conflicting organizational interests, as they are held responsible for the goals of some foreign governments, while also trying to meet needs in Bosnia. Even with the resources and the technical skills to engage in economic reconstruction, they may fall short of their goals because of limitations in these other areas. Local non-government organizations seem to face different problems, namely ones of funding and manpower. Local government organizations appear to be ineffective because their primary concern is consolidating power along ethnic lines, rather than effective economic reconstruction. I choose these three classifications because of these apparent categorical variations in resources, local knowledge, and organizational interests.

Once I had decided on these labels, I had to choose two similar towns within Bosnia where all three types of organizations were present. I needed two in order to increase the size of my sample, as each town generally only has one or two of each type active there. Because I was interested only the variation between different types of institutions, I wanted similar towns in order to control for certain confounding variables that could impact their effectiveness. First, the towns needed to have similar populations in terms of size and ethnic make-up. Too small of a population and the town would not receive any international attention, and too ethnically divided

meant it would receive an unusually large amount. I did not want these towns to have had a unique reconstruction experience based on their population, as is the case in places like Mostar or Brcko. Second, the towns' war experiences needed to be comparable, as far as the amount of refugees that came into and out of the town and the level of infrastructure damage from fighting. These variables could alter the base level at which the reconstruction process begins. The economic conditions in the town prior to the war matters for the same reason: an unusually poor town has further to go to reach the same economic standard as a more well off area. In short, I looked for two towns of similar size and history to ensure that the differences in effectiveness between types of institutions were a result of their qualities, not those of their surroundings.

In the end, I chose to conduct my field research in Zenica and Tuzla; these cities offered the similarities I sought, and they were conveniently located within practical traveling distances from Sarajevo. This additional qualification resulted from limited time and resources; I had only three weeks to complete the project, so I did not want to waste time driving across the country and because I knew I would be traveling alone and had very limited knowledge of the language, I did not want to stray too far from the US Embassy in Sarajevo. Although this limited the pool from which I could select my cases, I do not believe it impacted my ability to choose appropriate towns. Zenica and Tuzla each have post-war populations around 160,000, with similar breakdowns by ethnicity; located within the Federation, they both have Muslim majorities with significant Croat and Serb minorities. During the war, neither suffered significant ethnic cleansing or infrastructure damage, and both had similar levels of refugees coming and going. Economically, Zenica and Tuzla are both capitals of their respective cantons under the current government; under the European Union's plan for restructuring Bosnia in preparation for accession, they are each centers of their economic regions. There is, however, one notable

difference between their prior economic situations. Zenica's steel mill dominated its pre-war socialist economy, and its collapse during the war left thousands out of work and really contributed to the town's grinding economic halt. Although it is operational today, it does employ nearly as many people as it did, which may seriously impact the level of unemployment. Tuzla does not rely on a comparable industrial base, so all town-level comparisons of economic indicators must be stylized by this information.

### **Getting An Inside Look: The Interview Process**

Once I had chosen towns, I began contacting organizations involved in economic reconstruction there to request interviews; I used the snowball technique, starting with one or two organizations in each category that I could find contact information for online and requesting any additional names they could provide once they responded positively. The international organizations were the easiest to contact initially, but the most difficult for actually scheduling appointments. International organizations typically have high profiles and very extensive websites, accessible in English; recognizing the major players in economic reconstruction did not require much research. In total, I interviewed three institutions in this category: the World Bank, USAID, and the Office of the High Representative (OHR). I also contacted the IMF and the EU, but they referred me to the OHR and their local development agencies, respectively.

The OHR provided contact information for local organizations, including the Business Service Center (BSC), local government agency, and Regional Economic Zone (REZ) in Zenica, a local non-government organization; the World Bank put me in touch with the North East Regional Development Agency (NERDA) in Tuzla, another local non-government organization. The BSC also connected me with the Business Start-Up Center (BSUC), a smaller local non-government organizations they help fund along with REZ. To reach other government

institutions, I began contacting local Chambers of Economy, the branch of the local government in charge of managing economic reconstruction. In Zenica, they directed me to ZEDA, rather than the Chamber itself. The Tuzla Chamber did not respond initially, but it worked out that a friend of mine had a cousin working there, and he was able to connect me with a deputy in the Ministry of Economy. In total, I interviewed nine organizations, three international, three local non-government, and three local government.

Because the Internet was my main source for researching these organizations prior to my travels, the snowball technique was a necessary step in connecting with organizations without websites in a country where I did not speak the language; this choice does, however, have its downsides. By using a connection with one organization to reach another, I risked biasing my results in favor of that original organization's perspective on reconstruction; it is possible that their contacts are with other people that think as they do, and perhaps even work together on the same projects. In order to guard against any bias, I found multiple points of contact to begin several "snowballs". The language barrier could also have imposed serious limitations on my ability to hear from non-international organizations, so I hired a translator to reach out to non-English speakers. In these ways, I attempted to avoid any biases caused by my research technique.

The interviews themselves attempted to capture each individual's beliefs about their organization's effectiveness; this is an important measure of the larger concept of institutional effectiveness. Each interview was semi-structured, meaning I came into the meeting with a list of ten questions in a particular order that I wanted to ask, but if the interviewee answered one in the process of discussing another or did not answer any question fully, I skipped questions and probed appropriately (See Appendix C for list of questions). For example, I began each



interview with two “grand tour questions”, broad questions aimed at making the interviewee comfortable and allowing them room to tell me what they felt I should know. I asked them to describe their role in the organization and how they came to work there, and to tell me a little bit about the organization and its work. For some, they took this question and launched into a lengthy description of the organization’s history and its current projects; in these interviews, when I came to the questions dealing with specific projects, I either skipped them entirely if I felt I had enough information or I directed the question towards the earlier conversation and asked for more detail. For others, they replied simply with their title and educational background, making those later questions extremely important.

The next seven questions (3-9) were more detail-oriented, but still open-ended. Again, for questions that required a more specific response, I probed for additional information if the interviewee did not respond with the detail I needed initially. These questions dealt with actual programs the organization had in place, the criteria for success of the programs, any difficulties they had faced in their implementation, and steps they wanted to take to improve in the future. I concluded the interview with another broad question, giving the interviewee space to tell me anything they wanted me to know that had not been covered already.

In terms of my interviewing and recording style, I chose to capture the data by taking notes during the interviews and writing extensive field notes after each one. This process definitely took getting used to, as I had a hard time listening and writing simultaneously. I often felt a little behind the conversation, trying to process their answers as I wrote, and sometimes had to ask them to repeat themselves if I missed an important name or fact. In most cases, I felt like this did not limit the conversational feel of the interview, and if the interviewee did seem uncomfortable, it usually wore off after the first question. Although I would have preferred to

record the interviews, it did not seem appropriate when dealing with people that may be suspicious of their government and neighbors after such a personal war, and I was more concerned with honest responses than exact quotes. This proved to be an important decision on one occasion in particular. While interviewing the director of REZ in Zenica, she told me about a loss of 20 million KM in funding from the Belgium government because Republika Srpska's Prime Minister refused a plan to cooperate across entity lines. During the course of the story, she asked me not to write it down; I obliged of course, and heard the entirety of the incident, which she probably would not have discussed had I been recording her directly.

Unfortunately, the decision to take notes rather than record made interviews using a translator more difficult. For example, during my interview with a deputy in the Ministry of Economy, I struggled to take notes, formulate questions, and listen simultaneously as every communication passed through my translator. Often times, I would ask a question, he would listen to the translation, ask for an explanation of some term that did not translate directly, and I would explain myself further. Then, as he answered, I took notes on the translation, during which he continued to answer the question in Bosnian. Occasionally, my translator would ask for clarification again, except this time she was asking about a portion of his response that I had not recorded yet. So as I answered her questions, I often lost my previous train of thought and had to read over my notes just to catch up with the delayed conversation. In general, this created a confused and often misunderstood line of conversation, and I left the interview feeling dissatisfied by the quality of the data I recorded.

Although the interviews ran relatively smoothly, there were a few areas for improvement in the future, both conceptually and practically. As mentioned earlier, I learned a lot about these institutions and how they assess their own reconstruction efforts, but these interviews do not

capture every facet of institutional effectiveness. This data says nothing about these organizations' impact on basic economic indicators, including unemployment or GDP per capita. It is also limited to the perspectives of those engaged in the process, and does not focus on those its targets. In other words, these interviews do not articulate local people's views on reconstruction, or any outsider for that matter, who may have more a objective understanding of the organizations' ability to address real needs on the ground. In terms of execution, my biggest problems will only be solved with more practice. I was definitely a little intimidated by the interview process at first, but as the trip progressed, I found myself becoming more comfortable writing and listening at the same time, coming up with more nuanced probes, and focusing less on my presentation as the interviewer and more on the interviewee's responses.

If I could move forward with this portion of my research, I would conduct interviews with additional members of these organizations, perhaps mediating focus groups within each category of organizations to encourage discussion of common problems and potential solutions. Because my time in Bosnia was limited, I was only able to speak with one representative from each organization, which provided a very limited source of insight into the institution as a whole. Any number of biases or personal opinions could taint one person's responses; the real test would be to find common themes throughout interviews conducted with several people. I also really like the idea of focus groups, because although a lot of these organizations were aware of each other, the chance to come together in a discussion aimed at finding solutions and other cooperative arrangements would add a lot to the quality of the research, not to mention the benefits to the organizations. On the whole, this research captured important, albeit limited, perspectives on economic reconstruction, and would only improve with additional time and funding.

## **Hearing From the People: Survey Design**

Planning and executing the survey began with a different emphasis. For the interviews, my initial concern was finding cases, rather than establishing a list of questions; with the survey, I knew I could not find cases until I arrived in Bosnia, so I began focusing on the survey itself. The goal was to produce a short paper-and-pencil survey that was easily understood and quickly filled out, while also accurately measuring the dependent variable, namely local opinions of organizations' institutional effectiveness. To this end, the first half of the survey was a series of questions dealing with economic reconstruction, measuring both the individual's awareness of such organizations and their opinion of said institutions' impact on the economy. In keeping with my earlier distinction, participants were asked questions about international, local non-governmental, and governmental organizations. The survey concluded with a set of basic demographic questions: age, ethnicity, education, marital status, employment, and refugee status during the war. Because I was unable to collect a random sample of the population (a problem discussed below), these questions were designed to help control for any demographic biases in the data and increase external validity (See Appendix D for copy of survey).

The dependent variable questions were divided into four sections; I knew I would only have one opportunity to survey these people, so I asked for similar information in four different ways. The first six questions asked people to indicate whether or not they were aware of specific organizations in each category; if they answered yes, respondents were to write down their names. In the second set of questions, participants had to determine if they Completely Agreed, Agreed, Disagreed, or Completely Disagreed that each category had positively impacted both their local community and their personal financial situation. I did not include a "no opinion" option because I wanted to force a response one way or the other. In the third section,

individuals could indicate specific areas of the economy in which a category of organizations had had a positive impact, and lastly they were asked if, in general, they had seen economic improvement locally and personally. Except for the lists of organizations, all of these questions were closed-ended to avoid any confusion caused by the language barrier, as well as make the surveys easier to complete.

I arrived in Bosnia with the survey completed in English; my next steps were translating into Bosnian and of course, distributing the surveys. With the help of my translator and the Human Rights Center in Sarajevo, I had one person translate the survey into Bosnian and another translate back into English. This was a necessary precaution to ensure that the Bosnian version had not lost the meanings of my terms and still captured the essence of my measures. Once the survey was prepared, I faced the tougher challenge: getting Bosnians to complete it. In each town, my translator and I spent days in the city center asking people working in shops or sitting in cafes to complete the survey. Sometimes people refused, but more often than not, they agreed, so we left a survey with them for thirty minutes or so and then returned to pick it up. In total, we collected 75 surveys in each town, 150 total.

Because of the manner in which I collected the surveys, my results face problems with both external and internal validity. My inability to pull a random sample from the population threatens the external validity, a challenge I could not overcome for a few reasons. First, no real sample frame exists from which I could pull a simple random or a stratified random sample; there has not been a census completed since 1991, and nothing like a telephone book was available for the individual towns. Second, because of limited time and resources in the field, I could not cluster sample from residential streets; with only a week in each city and interviews happening simultaneously, the only feasible sample was one of convenience. As in most field

research, this study also faces a social threat to internal validity: diffusion. Because the survey was often distributed among small groups of people, I noted some people talking and coordinating their responses, meaning individuals were actually providing a group answer. Although the findings provided by this research does face these challenges, they are unique and as such I believe the project can contribute to academia's understanding of institutional effectiveness within economic reconstruction.

### **Conclusion**

I learned a lot about research techniques in preparation for my time in Bosnia, and I continued to improve upon my skills throughout my three weeks there. However, the lessons I learned would lack meaning if I did not care deeply about their subjects. The Bosnian people are an incredible group with a culture worth protecting. They have experienced atrocities and yet they still manage to practice hospitality. They reminisce and tell jokes around a pot of strong Turkish coffee or peppermint tea; their kids play in the hills above their house or down in the city center. They are families and friends, wanting health and happiness, and their different backgrounds and experiences create a unique and beautiful Bosnian heritage that all of these efforts are trying to preserve. That is the message at the root of this research and economic reconstruction as a whole.

## **Chapter Four: Influential Factors in Institutional Effectiveness**

Every organization involved in the economic reconstruction process has a story to tell. They employ people from diverse backgrounds, with different levels of experience and various connections to the conflict itself. They take on all types of projects and experience different levels of success in implementation. For purposes of this project, I have divided the institutions involved in reconstruction into three types: international, local non-government, and local government. Based on my hypothesis, these classifications have meaningful implications for assessing their effectiveness because these organizations vary across resources, local knowledge and organizational interests. In this chapter, I will use the nine organizations I interviewed this summer as case studies and tell their stories in terms of these independent variables. First, I will review the methods and measures I used to assess these factors. Then, I will cover each of the three types of institutions in detail, and discuss their various resources, levels of local knowledge, and types of organizational interests.

This data collected in this chapter suggests that local non-government organizations are in the best position to engage in economic reconstruction successfully. With high levels of local knowledge that are uninhibited by a poor reputation (as is the case with local government organizations) and bolstered by international resources, local non-government organizations are able to coordinate locally targeted efforts with internationally driven efforts in a unique way. I had not expected to find this intimate connection between international and local non-government organizations, and its positive effects reinforced the idea that a cooperative arrangement between institutions is the most effective approach to reconstruction. Additionally, these measures revealed a few serious flaws in my initial hypothesis. I failed to make an important distinction between state and local government institutions. Local government

institutions demonstrated much more positive organizational interests than I anticipated, although they suffered from lower levels of local knowledge and resources. Hopefully, the evidence from these case studies can shed light on the reconstruction process in Bosnia as a whole, and begin to reveal how a cooperative arrangement between these institutions can improve their effectiveness.

### **Methods and Measures**

Based on economic reconstruction literature and two major international relations paradigms, constructivism and rational choice theory, I have argued that resources, local knowledge and organizational interests have a direct impact on institutional effectiveness, or the ability of an organization to engage in economic reconstruction effectively. These relationships, described pictorially in Figure 1, are crucial for understanding why individual institutions experience different levels of success, as well as determining what type of cooperative arrangement can capitalize on each type of institutions' particular strengths. The goal of this chapter is to compare my hypotheses (see Figure 1) concerning these comparative advantages with actual data collected from these organizations.

**Figure 1: Initial Hypotheses**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
Resources	High	Low	Moderate
Local Knowledge	Low	High	Moderate
Organizational Interests	Both Positive and Negative	Positive	Negative

My assessment of these nine organizations is based on two main sources: in-depth interviews with officials within the organizations and information gathered from their respective



websites. As discussed in the previous chapter, I conducted interviews with nine organizations working in Zenica and/ or Tuzla, including the Office of the High Representative (OHR), the World Bank, USAID, the Regional Economic Zone (REZ) and the Business Start-Up Center in Zenica, the North East Regional Development Agency (NERDA) in Tuzla, the Chamber of Economy in Tuzla, and the Business Service Center (BSC) and ZEDA in Zenica. Throughout these interviews, I asked questions about the organization's history, any factors contributing to their success or obstacles they face in completing their missions, and the role of the local population in deciding which projects to pursue; I was looking for several means of measuring each independent variable. Beginning with resources, I looked for information on the organization's budget, including what portion went directly into reconstructing the economy, in addition to the experience and technical expertise of the employees. To assess local knowledge, I needed to understand the organization's relationship with the local population and the process of designing a given project or mandate, as well as the background of the employees and their connection to the community. Lastly, I looked at the mission statement or values of each organization, and any local press that might shed light on their core organizational interests. This chapter compiles these observations into an organized series of independent variable measures.

While the measures of resources are fairly straightforward, the sources I have chosen to assess local knowledge and organizational interests do have shortcomings. First of all, although the interviews do give an insider's look at an organization, allowing officials the opportunity to assess their own performance creates an incentive to present only their employers' best features. I attempted to address this problem by avoiding questions that specifically indicated the "correct" response. In other words, I did not ask for their estimation of the independent variables

specifically; rather, I asked general questions about the organization's efforts and used different portions of their response for my measures. For example, I asked each official to describe their goals for the communities in which they worked, and then used their responses as a measure of organizational interests.

Similarly, it is important to remember that websites are designed for public review, meaning the institution can present its most positive features and neglect any information that may be detrimental to its reputation. Although websites will not give an accurate picture of where an organization has fallen short, how it chooses to present itself to the public does provide important insight into what the organization believes are its best elements. For example, a website or mission statement that emphasizes community involvement demonstrates concern for local opinions on some level and creates space for the development of local knowledge. Because local knowledge and organizational interests are so difficult to quantify, I have made every effort to clearly indicate what evidence I have used to make my assessment of these organizations; I recognize there is room for additions, but I believe I have found a good place to start.

### **International Organizations**

My hypotheses suggests that international organizations have the highest level of resources when compared to local non-government and local government organizations; my case studies of the OHR, the World Bank, and USAID confirm this claim. To begin, the Office of the High Representative operates on a substantial budget that is dedicated to administrative costs, although that budget has shrunk considerably since the organization's inception. The OHR is an international body established in 1995 to implement the Dayton Peace Agreement in Bosnia. In the economic sector, the OHR mainly operates as a coordinating body, linking donors to existing projects or helping construct new initiatives. The OHR has a separate department known as the

Economic Transition Unit (ETU), whose purpose is to “improve BiH’s fiscal architecture and making its business environment more attractive to international and domestic investors,” (<http://www.ohr.int>). Today, the OHR operates on a much smaller budget now than it has in the past, falling from 50 million euros in 1995 to 10.7 million euros in 2007. However, it is important to recognize that the OHR is not a lending organization, so its budget mostly covers operating costs. This is to say that although funding for the OHR is decreasing, its resources remain substantial given its role in the reconstruction process.

The World Bank is the one of the primary international lending institutions in existence, operating with the support of an experienced team and a substantial budget. Set up after WWII as a part of the Bretton Woods agreement, the Bank focuses now on eliminating poverty in developing countries around the world. In a 2006 Progress Update, the World Bank in Bosnia reported \$2738.65 million in completed and current projects since its involvement in 1995. These projects have ranged from large infrastructure restoration immediately following the war to microcredit loans for individual citizens, averaging 3000 KM per loan. For the 2008 fiscal year, the World Bank in Bosnia’s lending budget will be around \$60 million; this does not include the operating budget. Because the World Bank’s primary focus is the economy, “all our operations, even in the social sector, environment etc., ultimately lead to improved living standards of the people in Bosnia and Herzegovina,” (Tinjac, E-mail). This statement suggests that most, if not all, of its large budget is dedicated to economic reconstruction.

The World Bank employs well-trained and experienced individuals, whether they are international or Bosnian citizens. To exemplify the caliber of its employees, I needed to look no further than Goran Tinjac, a Bosnian operations officer currently involved in employment and community development projects, whom I interviewed about the Bank’s involvement in

reconstruction. When the World Bank began its microfinance program eleven years ago, he left the UNHCR and began working for the Bank as one of the first microfinance experts. Today he focuses on employment and community development issues and oversees the World Bank's Bosnian portfolio. An interesting caveat to this observation is the possibility that international organizations are drawing the most skilled nationals out of the Bosnian labor force and state government; individuals with the skills and expertise needed to engage in economic reconstruction effectively may also be the best candidates for political office or the most able business elite. In any case, the Bank's prestige and involvement in development throughout the world has drawn a team of expert employees with a large lending portfolio at their disposal.

The United States Agency for International Development (USAID) has provided over one billion dollars in aid to Bosnia since the end of the war, making it another substantial player in the economic reconstruction process. USAID is the primary channel by which the US government provides development assistance across the globe, and in Bosnia in particular. Its efforts include economic and political sector development, combining market reforms with democracy and promoting rule of law. Its economic involvement is divided into two main sectors, reconstruction of infrastructure and supporting SMEs through a loan program. USAID's budget in Bosnia has been steadily declining since 1997, with a particularly large cut in 2004. In 1997, aid to Bosnia via USAID totaled \$217.45 million; by 2004, this number had fallen to \$26.5 million and in 2007 the total was \$17.8 million. Within this final budget, \$5.7 million goes to economic transformation, \$9.6 million to democratic reform, and 2.5 million to cross cutting issues. Although its budget is significantly less than the World Bank, USAID has provided substantial funds for Bosnia's reconstruction since the end of the war.

In addition to resources, I have argued that local knowledge plays an important role in determining an institution's effectiveness at economic reconstruction. Compared to local non-government and local government organizations, both the literature and I have suggested that international institutions lag behind in this area; however, a close examination of my cases reveals that international organizations' hiring practices and project development methods look similar to those of their local counterparts, although it has taken some time to reach this point. The OHR, For example, began an effort to increase the number of local people on staff by opening up all positions to BiH citizens in 2002; in fact, "where a BiH citizen and a foreign citizen applying for the same post are considered to be of equal merit, qualification and experience, the national applicant will be preferred," (<http://www.ohr.int>). As of January 2008, the result is a staff of 38 internationals and 200 national contractors, and although this says nothing about the types of positions these nationals hold, it does demonstrate an effort to make locals a larger part of the OHR staff. It is interesting to note that this change came after seven years of operation in Bosnia. Perhaps the OHR recognized a need for more local involvement in their efforts; this would support my argument that local knowledge is an essential part of the reconstruction process, and organizations, not just scholars, have recognized it.

The number of local citizens on staff with the OHR is not the only issue; its relationship to the rest of the population is essential for understanding local knowledge as well. Here it is important to note that the Economic Transition Unit is designed to smooth Bosnia's transition from a socialist to a market economy and from a conflict to a post-conflict region; it does not provide loans or develop physical infrastructure. To that end, the OHR works to connect donors to projects and support new initiatives and works closely with the government and local media in an attempt to foster support for market-oriented programs on the ground. As Herbert Pribitzer,

head of the Economic Transition Unit, explained, the goal is to get the public behind programs like privatization by explaining their purpose; the challenge is to help people see the long-term benefits even when there are short-term costs.

To do this, the OHR uses television and other media, holds meetings and conferences, visits companies and trade unions, and publishes campaigns, booklets, and other literature. The 32<sup>nd</sup> Report of the High Representative describes one such economic conference, held in October 2007, which “brought together the international community, domestic policy-makers and business leaders. The conference successfully put economic issues back at the centre of public debate and created a platform for dialogue on the needs of the BiH economy,” (<http://www.ohr.int>). By employing local citizens and reaching out to the local community when creating projects, the OHR fosters its own local knowledge. It is essential to recognize that the OHR may be an exception in the sea of international organizations, namely because its sole purpose is to address reconstruction in Bosnia. The organization itself does not have experience dealing with a post-conflict setting in any other context, meaning it did not arrive on the scene with a tested plan in place. The OHR had to figure out Bosnia on its own terms, which may explain the emphasis on local involvement.

The World Bank does not go quite as far as the OHR to cultivate local knowledge, although they do make efforts to reach out to the local community, both in terms of employment and project implementation. Any hiring is always advertised publicly; the position is posted in local or international newspapers and on the World Bank website, and all applicants have equal opportunity regardless of ethnicity, race, or gender. As Mr. Tinjic put it, “the World Bank is known for its diversity and we are proud of it,” (E-mail). He also responded affirmatively when asked about the role of local leaders in establishing projects and contributing to their

implementation. They play a “key role! Our projects are identified either by or in close collaboration with local counterparts. Local counterparts are also fully responsible for project implementation,” (E-mail).

He did admit, however, that the World Bank could improve its contact with the general population by educating them about the benefits of reforms in areas like education and privatization. As discussed above, this is the goal of the OHR and fostering a relationship between these two organizations in a cooperative arrangement could contribute to increased effectiveness on both sides. The Public Information Center (PIC) is one way the Bank has tried to “bring the World Bank closer to people of Bosnia and Herzegovina” (<http://www.worldbank.org/ba>); the PIC offers free access to many World Bank publications and other documents in an effort to foster transparency in the Bank’s actions. So, although the World Bank does take steps to reach out to the citizens it serves, there is still room for progress as an organization and in its cooperative relationships.

USAID also has employees from both the national and international community, and the hiring process is different for each. New positions that open up for locals are first offered to individuals already working in the organization; if the slot is not filled, the job is advertised among the community via newspapers and their website. Americans working for USAID go through a different process, typically serving two-year tours in a given country before being transferred elsewhere. Kasey Vannett, an external relations officer, is one of the few Americans that has been with USAID since the end of the war, and so could offer a broader perspective on USAID’s work in Bosnia. This hiring process has interesting implications for their connection to the local population. First, while promoting locals from within limits the number of layoffs at USAID, it also limits the range of perspectives on a given project. For example, someone

immersed in international bureaucratic culture may lose touch with the community's needs. However, they may become more effective as they familiarize themselves with USAID procedures and organizational structure. Americans at USAID face the opposite problems. Because they are transferred so frequently between regions and different areas of need or conflict, Americans face a learning curve at every new post. Although they bring in "fresh blood", so to speak, they may not be aware of the nuances associated with a particular project, or feel the need to invest in understanding an area because they will be moved again shortly.

Although their hiring process does not promote local knowledge to the fullest extent, USAID is dedicated to involving the rest of a local community in designing projects. Ms. Vannett described USAID's initial involvement in reconstruction, when "US SFOR soldiers would visit the communities to solicit their proposals and then pass them on to USAID," (E-mail). This method appears particularly committed to local knowledge, as USAID did not simply seek input on pre-designed programs and their implementation; soldiers asked people for their own project proposals to assess what they needed and how they could best be helped directly. In short, USAID does work hard to cultivate a connection to the local community when designing projects, a practice that may make up for what social understanding is lacking in their employees.

The OHR, the World Bank, and USAID's field-based mission staff are unanimous and explicit in their organizational interests: prepare Bosnia and Herzegovina for accession into the European Union. The OHR engages this process along both economic and political lines. Mr. Pribitzer acknowledged this important link as he described OHR involvement in preparing legislation designed to promote economic prosperity, through coordinating entity policies or promoting a positive business environment for example (Pribitzer, Personal Interview). Most



recently, the OHR is taking their cues from the European Commission Feasibility Study, published in 2003. As a result of the sixteen changes suggested by this study, the EU opened negotiations on a Stability and Association Agreement with Bosnia. As described in an EU press release published in 2005:

The agreement's main goal is to promote economic and trade relations, with the perspective of establishing WTO-compatible free trade after a transitional period. The agreement will also bring the country closer to the European standards in regulating the movement of workers, freedom of establishment, supply of services and movement of capital. (Rapid Press Release, Oct. 21 2005 europa.com)

The High Representative himself underlined the importance of a commitment to EU accession in a press release last year; Lajčák said, "It is in no one's interest to stand in the way of this country's future in the European Union," (February 6, 2007 press release). Now that Bosnia has moved past the major reconstruction phase, preparation for the EU has become the OHR's primary organizational interest.

The World Bank's organizational interests are more broad, with EU integration as a part of the larger goal of economic transition. The most recent Country Partnership Study (CPS) for 2008-2011 lays out Bosnia's current economic situation, any successes since the previous CPS, and important issues for the future. The report states, "authorities had three goals: a) create the conditions for sustainable and balanced economic development and restore partial creditworthiness on the international capital markets; b) reduce poverty by 20 percent, and c) accelerate EU integration," (CPS 2008-2011). The CPS declares EU integration a "key goal for [Bosnia and Herzegovina]...accelerating the EU integration process [is] something public opinion polls indicate the majority of the population supports," (CPS 2008-2011). Taking its cue from both the international and local communities, the World Bank continues to direct its efforts in Bosnia towards European Union integration.

USAID, as an instrument of United States foreign policy, also pushes EU preparation as its main organizational interest. The 2006 USAID Strategy Statement asserts that their job is to “directly support the overriding U.S foreign policy interest in BiH...which is to change this multi-ethnic country from a source of regional instability to a peaceful, viable state on the road to European integration” (FY 2006 Strategy Statement). There is a common recognition throughout the international community that integration into the EU would have very positive effects on Bosnia’s economy and so USAID strives to reach that goal. EU entry provides several key economic benefits, including unrestricted trade access to the large European market and limited inflation associated with adopting the euro. USAID, directed by the US government wants to see peace in Bosnia and the Balkans region, and they believe that restoring the economy is a key part of that goal. Therefore, its organizational interests focus on EU integration as a means of achieving that stability.

In summary, using the OHR, the World Bank, and USAID as case studies for international institutions’ involvement in economic reconstruction in Bosnia demonstrates definite trends in levels of resources and local knowledge, and types of organizational interests. Their resources are all relatively high, with millions of dollars at their disposal and experience in reconstruction. Their organizational interests are positive, with EU accession at the center of their reconstruction efforts. Lastly, they do make efforts to include the local population on staff and in the project design process, cultivating moderate to high levels of local knowledge.

### **Local Non-Government Organizations**

According to my hypothesis, local non-government organizations, the second category of institutions involved in economic reconstruction, should score low on resources, high on local knowledge, and pursue positive organizational interests that are geared towards building a more

prosperous economy in Bosnia and Herzegovina. My case studies for this section include two regional development agencies, REZ and NERDA, and a small new organization called the Business Start-Up Center. Unfortunately, none of these organizations are allowed to release their budget information, so my discussion of their resources is limited to managerial experience and inferences from my interviews with them concerning their financial situations; what I found suggests their resources may be more substantial than I had expected due to their sources of funding. Throughout my interviews, I discovered that all three local non-government organizations are supported at some level by an international institution or government, which, as established above, possess significant financial resources. Although they compete with other regional development groups for grants from the European Commission (EC), REZ and NERDA in particular did not appear concerned with finding the resources to complete their projects; they seemed comfortable in the knowledge that they had considerable financial support from the EC.

Not only do their direct financial resources come from international organizations, but also local non-government employees often have experience working for them. In my interview with Slavisa Stajkovic, a project planning manager at NERDA, he pointed out that one of their biggest assets in developing and implementing reconstruction projects is their employees' experience. He noted that every employee came to NERDA from other international organizations and brought significant knowledge to the table, making them good at finding solutions to any problems they have faced. The director of REZ told a similar story; before joining REZ, she worked for CHF International, a non-governmental organization dedicated to promoting economic development around the world and the parent organization that developed REZ. The Business Start-Up Center was just established in May 2007, but again, its employees began with significant experience. Mirza Meskic, the project officer I interviewed at the

Business Start Up center, began working for its parent organization as well, the Academic Training Academy, now called Spark. At all three organizations, their employees' managerial and development knowledge appeared to be a substantial resource for engaging in effective economic reconstruction.

As my hypothesis predicted, local non-government organizations demonstrated a commitment to local knowledge in their project development process. For example, the principles behind REZ's development strategy, as well as its construction, reflect the organization's dedication to the local population. Two of "these principles are: partnership [and] common ownership and involvement" (<http://www.rez.ba/en>). REZ is concerned with creating lasting support for its initiatives by engaging the local population and giving them a stake their projects. From the start, REZ gathered local people together to collectively produce a direction for the organization that would meet people's needs. The Regional Development Strategy itself "started and was continued as process, using 'bottom up' methodology, through [the] establishment of work and partner groups as a leaders of [the] process and decision makers on development directions and intervention areas," (<http://www.rez.ba/en>). These working groups attended ten workshops where they were provided with technical training and engaged in discussions regarding decisions about specific elements of the strategy. Since then, they have continued to conduct workshops and development meetings to engage communities within their region, and presented the results to a larger population at two regional conferences. REZ as an organization has been intimately connected to its target community, seeking local knowledge and understanding from the start.

NERDA, a mirror organization like REZ in the northeast Bosnia region, has also made local knowledge a priority by engaging the community in the establishment of their Regional

Development Strategy. Emphasizing the same bottom-up approach, NERDA “had roundtable discussions with representatives of foreign embassies, cantonal ministries, municipalities, universities, international organizations and programs and business organizations” (<http://www.nerda.ba/indexe.php>) to create their strategy. This process has continued since the strategy’s inception, and “NERDA has put a lot of effort into making sure that all relevant stakeholders of regional economic development are introduced to the Strategy and that they recognize the role of NERDA,” (<http://www.nerda.ba/indexe.php>). Through these efforts, NERDA works hard to connect to the local community and capitalize on their input when mapping out the direction of the organization and its activities.

Local non-government institutions exhibited different organizational interests than the international organizations, targeting improvement in Bosnia’s economy in general rather than the EU integration process specifically. When I discussed REZ’s goals as an organization with its director, Ms. Malicbegovic, her personal passion for change in Bosnia and her belief that economic progress can accomplish that goal were reflected in REZ’s interests. She explained the ways in which REZ targets local businessmen to help them become better managers, provide them with space and technology to become entrepreneurs, and earn more money to take care of their families; she spoke from personal experience and with an obvious understanding of the hardships the people have endured because of the war. From her perspective, REZ is all about making “a better life in Bosnia and Herzegovina,” (Malicbegovic, Personal Interview). Her thoughts and their mission statement certainly align; REZ is designed to “create a place where people have jobs...businesses are vibrant...investment is common-place...[and] there is a general feeling of pride and ownership,” (<http://www.rez.ba/en>). REZ is looking to make

positive changes in people's daily lives through various aspects of economic development in Bosnia.

REZ's ties to the European Union may also impact its positive organizational interests. As an organization, REZ's existence is intimately connected to the EU, both through in terms of its purpose and its funding. First, REZ represents one of five economic regions in Bosnia. These regions define the new economic and political structure that will be required for EU entry and are designed to follow three things: money, people, and goods. In other words, REZ is an important feature of European interests in Bosnia and a major institution responsible for preparing Bosnia for accession. Additionally, the European Commission is a major source of funding for REZ's initiatives, and through that channel, the EC can hold REZ responsible for pursuing projects that fit European goals for the country. This is not necessarily a negative consequence, given the benefits that could arise from EU integration, but it is important to note that REZ's organizational interests may be tied to international interests as well. REZ strives to make life better for the Bosnian people through a compelling balance of locally targeted efforts and broad international goals.

NERDA's mission statement combined with Mr. Stajkovic's discussion of his organization's goals create a similar picture of its organizational interests: make Bosnia a better place to live by offering business services to the local community and coordinating development projects in their region. NERDA's mission is as follows:

The unique purpose of the Development Association NERDA is to stimulate economic development of the NE region of BiH by managing strategic development, and to be a tool in the hands of people, businesses, NGOs, and governments that jointly work on poverty reduction, economic sustainability and stability of the NE region and entire BiH. (<http://www.nerda.ba/indexe.php>)

Mr. Stajkovic's statements echoed this dual purpose of improving Bosnia's economy directly and coordinating a meaningful partnership with the European Union. As he described NERDA's mission, "the ultimate goal is to increase the capacity of the region, as well as accept and utilize assets from the EU, improve economic efficiency and all other typical goals," (Stajkovic, Personal Interview). As another one of the five regional development agencies, NERDA focuses on developing Bosnia's economy in general, where EU accession is a part of that process.

The Business Start Up Center has more specific organizational interests than either NERDA or REZ; the Center focuses on engaging the local community directly in an effort to create jobs through establishing new businesses. The business environment is a partial but essential part of economic reconstruction. As Mr. Meskic pointed out, development in this area has important implications for local people's attitudes about making a transition to a market economy. He described the Business Start Up Center's goal as "bringing an entrepreneurial spirit to Zenica" (Meskic, Personal Interview) and changing current socialist mindsets through establishing new small and medium-size enterprises (SMEs). Their mission statement explicitly describes the means by which they hope to accomplish this goal; they offer "young entrepreneurs...training, consultancy, working space and access to micro-credit which will lead to the establishment of new and innovative small and medium enterprises," (<http://en.bsczenica.org>). The Business Start Up Center's organizational are entirely dedicated to improving the business community in Zenica.

These local non-government organizations' case studies also show consistent patterns of resources, local knowledge, and organizational interests. Surprisingly, they all demonstrated fairly high levels of resources, given their financial connections to international organization and their employees' prior experiences working in development. As discussed earlier, these

relationships have the potential to influence local non-government institutions' organizational interests by allowing international organizations to establish conditional lending programs to ensure their objectives are being met. As expected, they also exhibited high levels of local knowledge, and seemed particularly concerned in reaching their communities in a personal, tangible way. These organizations were involved in locally focused initiatives and concerned with community involvement in directing their development strategies. Finally, they did display positive organizational interests, although the potential influence international organizations may have on this input was unexpected.

### **Local Government Organizations**

Local Government Organizations comprise the third and final group in my analysis of institutions involved in economic reconstruction. My hypothesis predicts these institutions should have moderate resources, demonstrate high levels of local knowledge, but exhibit poor organizational interests; in reality, my investigation has revealed limited resources, low to medium levels of local knowledge, and positive organizational interests. My case studies include two development agencies set up by Zenica's cantonal and municipal government, the Business Service Center and Zeda, and Tuzla's Chamber of Economy.

As expected, the budgets of these local government organizations are significantly smaller than any international organization. Zenica's Cantonal government established the Business Service Center (BSC) to provide both managerial and financial support to local SMEs, but in 2008, they only have the resources to complete half of that mission. In 2007, the BSC had a total budget of 1,100,000 KM, or about 500,000 euros. Almost half, 500,000 KM, went to establishing capital for the credit fund in support of SMEs; 330,000 was dedicated to various small projects, including training seminars and conferences. The remaining 270,000 KM



covered operational costs, including salaries and equipment. In 2008, the BSC was unable to secure the 500,000 KM credit fund, and so the budget fell to 600,000 KM, with the other proportions remaining the same. It is important to recognize that the BSC is only a part of the Cantonal government's involvement in the economy; however, as the first point of contact for local businesses and the government, its diminishing resources may be symptomatic of a larger problem.

In addition to the BSC, ZEDA serves local businessmen in Zenica, and again officials within the organization reported a lack of resources as their biggest challenge in promoting economic reconstruction. In 2004, the municipal government in Zenica established ZEDA to implement its strategic development plan. As I spoke with the deputy director, Naidin Ahmetpahic, about their work, he cited two major problems in achieving their development goals: funding and the local population's lack of managerial know-how. ZEDA's major projects are business incubators, which are buildings set up with the infrastructure to help start a new business, including offices, phone lines, and internet capabilities. These require a certain amount of funding to establish, and then the burden falls to local entrepreneurs to utilize them; unfortunately, these are the areas in which ZEDA experiences the most difficulty. When asked about the biggest obstacles they face, Mr. Ahmetpahic cited funding, and claimed that with the money to do it, they could implement any project. He believes the local population poses a difference challenge; participants in these projects do not have the necessary knowledge or experience to design businesses. In other words, while conceptually the business incubators could do a lot to stimulate SME growth, a lack of resources within ZEDA and among the local population limits their success.

The Chamber of Economy in Tuzla reported similar problems as a result of limited managerial knowledge, but not with funding itself. The Chamber is dedicated solely to economic issues and operates on a 1,000,000 KM budget. With its focus on coordinating business and government activities, Chamber representatives did not report any problems with available funding. However, when I contacted Miralem Candic, expert for international relations, at the Chamber, he noted, “there is lack of educated leaders and managers who should take responsibility for leading people toward faster progress and development in this small country with so much potential,” (E-mail). Again, this local government organization experiences problems resulting from a lack of resources in the form of managerial experience.

My observations of local government organizations both confirmed and contradicted my hypothesis concerning their moderate to high levels of local knowledge. Mr. Alispahic at the Business Service Center reported a close relationship with the local population. As mentioned above, the BSC is the first point of contact between businessmen and the government; this position was precarious at first, as Bosnia’s socialist heritage left a rift between these two sectors, but he argues that the BSC has been able to improve the government’s image and create trust in these relationships. He also pointed out that, as a part of Zenica’s government, the BSC has established relationships with other European governments and foreign firms. Because of this, BSC seminar programs offer more than simply academic knowledge; they provide real business contacts. All of these factors encapsulate the BSC’s recognition that local knowledge is a key component of its success.

In contrast, ZEDA and the Chamber of Economy in Tuzla both take direction directly from their governing bodies without input from the local population. In ZEDA’s case, the municipal government established an economic development strategy and created ZEDA to

execute it. As a result, ZEDA reports directly to the government concerning their success, and turns there for its priorities, rather than the local community. Similarly, Mr. Candic at the Chamber noted, “[the] local community is passive in establishing new projects and taking an active role in it. There are some initiatives and projects realized but it could be much better,” (E-mail). Unlike the BSC, these organizations struggle to cultivate local knowledge when constructing their strategies and projects.

The local government institutions’ organizational interests are most similar to those of the local non-government institutions, but without any mention of EU integration as a goal. To begin, the BSC’s overarching goal is to “support and assist companies and entrepreneurs in two areas: the one-stop-shop [and providing] information and services,” (<http://www.zdk.ba/BSCPHP/index.php>). In more generic terms, Mr. Alispahic described the organization’s mission as “helping the average person connect with the right government organization” (Alispahic, Personal Interview) and fostering good relations between people and the government. Additionally, the BSC does submit plans for changes to the local government structure three times a year in an attempt to coordinate business regulations and make them easier to follow. In its organizational interests, the BSC recognizes importance of establishing local connections and building trust with the local community, as well as promoting SME development by providing necessary information.

The organizational interest of the Chamber of Economy in Tuzla can be broadly classified into two main categories: promoting business and government relations and producing and providing information and education. As articulated on their website, “the work of the Chamber is based on: representing [the] interests of members and developing partnerships” (<http://www.kpktz.ba/english/index.htm>) between members and every level of the Bosnian

government. Additionally, the Chamber focuses on information services, including monitoring the economic situation in Bosnia, educating and retraining workers and managers, and offering consulting services (<http://www.kpktz.ba/english/index.htm>). Like the BSC in Zenica, promoting improved relations between the government and the local population is at the heart of the Chamber's organizational interests.

ZEDA's organizational interests stem from the municipal government's goals for Zenica. When I spoke with Mr. Ahmetpahic, he laid out six municipal goals: first, for Zenica to become a regional center, economically, culturally, and administratively; second, develop entrepreneurship and new businesses; third, support existing SMEs; fourth, develop human resources through education and the establishment of Zenica's first university; fifth, promote investment in infrastructure, and sixth, poverty reduction. Of these, ZEDA is responsible for the second and third through the establishment and operation of business zones and incubators. On a broader scale, these activities are geared towards overall economic development. Unlike either the BSC or the Chamber, ZEDA is involved in the physical infrastructure of entrepreneurship, rather than the information.

The data gathered on these local government organizations greatly contradicted my original hypotheses. Rather than demonstrating moderate levels of resources, these organizations reported a lack of funding and managerial know-how as some of their biggest obstacles to institutional effectiveness. Instead of high levels of local knowledge, these organizations demonstrated low to medium levels of local knowledge. While they do try to build relationships with the population, they cannot take direction from locals concerning their mission or mandate because local government institutions are specifically designed government projects and must answer to the government. For example, where REZ could hold a roundtable

discussion with the community on their regional development strategy, ZEDA receives direction straight from the municipal government. In other words, these organizations are established because the government believes there is a need, which prevents their branches from really targeting programs and projects. Lastly, and perhaps most surprisingly, these institutions did appear to have positive organizational interests, which revealed an important contrast between government operations on the state and local levels. As a result of potentially negative organizational interests at the state level, these municipal and cantonal officials must focus on restoring the government's reputation throughout the community through successful reconstruction projects.

## Conclusion

As I began my investigation of these international, local non-government, and local government institutions, I found that my initial hypotheses were both supported and contradicted. In Figure 3, I have summarized these results into a table for comparison with Figure 2 above. The sections in italics indicate areas where my findings contradict my initial hypotheses, and I will address each in turn.

**Figure 2: Results**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
Resources	High	<i>High</i>	<i>Low</i>
Local Knowledge	<i>Moderate to High</i>	High	<i>Low to Moderate</i>
Organizational Interests	Positive	Positive	<i>Positive</i>

To begin, the officials from international organizations surprised me with their apparent commitment to adopting local initiatives and including nationals on their staff; however, the

source of this information and their ability to be candid must be taken into account when assessing their local knowledge. These officials described a need for local contractors and told stories of interactions with people on the ground, but this raises questions concerning precisely what roles these locals fill or how much their influence really impacts an international organization's decision-making process. The officials I interviewed may have had a vested interest in creating a positive image for their organization, ignoring any evidence that may appear like neglect of local concerns.

That being said, the individuals I spoke with did seem candid and primarily committed to improving life in Bosnia, while their respective organizations were means to that end. Mr. Tinjic, for example, is from Tuzla and served in the Bosnian army during the war; his personal understanding of the conflict and desire for effective reconstruction is central to his mission at the World Bank. Ms. Vannett, although she is an American currently working for USAID, came to Bosnia with a different group and married a Bosnian man and has been living in Sarajevo since the end of the war; her life has become intimately connected to Bosnia as a whole. Although at first there may appear to be an incentive for these officials to paint a brighter picture of their organization's local knowledge, their personal histories and connection to the country suggest that their desires for real improvements in Bosnia would trump any concern for their organization's reputation. Of course, it is important to recognize that these are individuals that may or may not represent their employer's staff, but their backgrounds do lend credibility to their testimonies.

Secondly, I did not anticipate the connections between international and local non-government organizations, and how this would contribute to the latter's resources and organizational interests. Local non-government organizations were often supported by

international organizations, both in terms of funding and providing experienced employees.

Interestingly enough, this may have impacted their organizational interests as well. For example, because REZ and NERDA are both supported by the European Commission, preparing Bosnia for European integration is a primary organizational interest. These institutions must take international concerns into account to order to ensure funding to complete their initiatives.

Lastly, my hypotheses concerning local government organizations were generally incorrect, largely because I failed to make a distinction between local and state level governing bodies. It appeared that organizations funded by municipal and cantonal governments did pursue local knowledge and positive organizational interests insofar as their mandate would allow and resources support. These institutions seemed to suffer from poor organizational interests at the state and entity government level, working hard to counteract negative stereotypes associated with high politics and establish reputations as positive, trustworthy institutions.

Already these findings have illuminated interesting connections and institutional advantages that can be applied to a cooperative arrangement in service of successful economic reconstruction. The data demonstrates that some relationships between and among different types of institutions already exist, although their efforts have not been fully integrated. It would seem that each organization could achieve higher institutional effectiveness by capitalizing on others' strengths and minimizing their own weaknesses, described in detail in Chapter Six. The next chapter will focus on the results of their efforts, and clarify the impact of resources, local knowledge, and organizational interests on institutional effectiveness.

## **Chapter Five: Hearing From the People**

It is not enough to simply recognize the resources, local knowledge, and organizational interests of institutions involved in economic reconstruction; it is the relationship between these characteristics and an institution's success in engaging in economic reconstruction that provides insight into how economic reconstruction can be conducted more effectively. This chapter focuses on the second half of that relationship: institutional effectiveness, the dependent variable. As a reminder, the institutions are divided into three categories, international, local non-government, and local government organizations. Again, I will begin by reviewing the methods used to measure this variable. Then, I will describe a set of economic indicators for evaluating development in Bosnia since the war, looking specifically at progress in Zenica and Tuzla. Next, I will highlight the local population's perspectives by discussing the results of my paper-and-pencil survey. Lastly, I will turn to my interviews with the organizations themselves for insight on their particular projects and measures of success. This collection of findings will provide the foundation for analyzing how the three independent variables interact to produce or in some cases fail to produce, institutional effectiveness.

To assess institutional effectiveness, I triangulated three different measures: standard economic indicators, in-depth interview results, and a paper-and-pencil survey. All three offer a unique look at Bosnia's reconstruction since the war, and combining them creates a more complete picture of the role of different institutions in that process. Comparing basic indicators, including GDP growth rates and per capita figures as well as unemployment, from just after the war to current numbers forms the baseline for evaluating economic reconstruction in general; it is important to recognize how much growth Bosnia has actually experienced and in what areas, and compare that to the local population's perspective and the institutions' understanding of their



success. For example, if the economy has seen significant growth and progress, but people report a lack of improvement, it raises questions about the causes of this disconnect. The interviews allowed the nine organizations to assess themselves, and evaluate their own effectiveness. This measure is essential, as it offers an insider's look at the process and its complications. Lastly, because I have argued that effective economic reconstruction engages the local population, their assessment of the process, which I attempted to capture in the surveys, sheds light on which type of organization does this most effectively. This chapter compiles all of these measures to construct a more complete picture of institutional effectiveness.

### **Economic Data**

Comparing GDP figures from the post-war period and today demonstrates that Bosnia's reconstruction program has generated significant growth throughout the country as a whole, although Zenica and Tuzla cantons began below average. As a clarification, the Federation of Bosnia and Herzegovina is made up of ten cantons, each with a governing structure. Within the cantons, there are municipalities, which compare to American cities or counties; these also have their own governments. The data collected in this section is at the canton level. To begin, the World Bank reported Bosnia's GDP in 1996 at \$2.8 billion, compared to \$10.8 billion in 2005 (20 year trends). However, the growth rates over the years have not been consistent; as the CIA describes, "output recovered in 1996-99 at high percentage rates from a low base; but output growth slowed in 2000-02. Part of the lag in output was made up in 2003-07 when GDP growth exceeded 5 percent per year," (CIA World Fact Book). GDP per capita numbers demonstrate similar growth. In 1998, the Federal Office of Statistics for the Federation of Bosnia and Herzegovina recorded its GDP per capita at \$1097; Zenica and Tuzla lagged behind, with \$817 and \$856 respectively. In 2007, GDP per capita in Bosnia as a whole was \$6,600, a remarkable

600 percent improvement. As stated in the 2005 World Bank Country Economic Memorandum, “when compared to other post-conflict economies, BH has recorded impressive growth rates since the end of the war.” In summary, GDP and GDP per capita totals show that economic recovery has been relatively successful.

Unfortunately, unemployment rates do not demonstrate the same positive trends; instead, unemployment has actually increased in both the Federation as a whole and within the Zenica-Doboj and Tuzla Cantons. Using data from the Federal Office of Statistics, in 1998 the rate of unemployment was 39.3 percent, compared to 47.2 percent in 2005. Zenica and Tuzla show similar increases. In 1998, unemployment in the Zenica-Doboj Canton registered 44.1 percent; in 2005, that figure rose to 50.0 percent. In the Tuzla Canton, the rate in 1998 was 46.8 percent, and in 2005 it was 54.4 percent. As the CIA Fact Book points out, “national-level statistics are limited and do not capture the large share of black market activity”; taking the gray and black markets into account, estimates place the current unemployment between 25-30 percent. Although this nuance somewhat lessens the severity of these figures, it does not change the obvious trend.

The places where the Bosnian economy as a whole has seen improvement and decline probably speaks to the areas where economic reconstruction as a process has been most effective. In other words, the fact that GDP and GDP per capita numbers have improved may indicate successful reconstruction of basic infrastructure to support increased levels of production. Simply stopping the violence certainly contributed to the large increases after the conflict ended, and the fact that GDP growth is settling into around five percent annually shows the sustainability of reconstruction efforts. However, increasing unemployment probably has implications for the success of job creation efforts and the level of state capture. These figures

illustrate either a decrease in the overall number of jobs within the Federation, an increase in the size of the work force, an increase in gray or black market activities, or some combination of all three. The first case would suggest a failure of reconstruction efforts in these areas. The implications of the second are less clear, as it is difficult to distinguish structural unemployment, resulting from a poorly trained workforce, from frictional unemployment, a natural result of imperfect information in the market concerning available jobs and employees. The final case indicates increased levels of state capture in the Bosnian government and a failure to reconstruct political structures to appropriately support a market economy. In reality, all three are probably responsible for increasing unemployment levels.

### **Survey Results**

Before discussing the results of the survey, I will briefly layout the structure of the questions in order to clarify my analysis. The survey is divided first into two portions. The first section asked the respondents a variety of questions concerning their opinions on different institutions' involvement in reconstruction, a measure of the dependent variable; the second section asked a series of demographic questions to be used as controls throughout the analysis. These included gender, ethnicity, level of education, type of employment and refugee status during the war, to name a few. The first section was again divided into four types of questions. The first simply asked respondents to indicate if they were aware of any international, local non-government, or local government organizations involved in economic reconstruction. The second asked for agreement with the statement, "International organizations have had a positive impact on the local economy in my city." The available choices were Completely Agree, Agree, Disagree, and Completely Disagree, and the question was repeated for each type of organization and asked again with respect to their family's financial situation (for a complete copy of the

survey, see Appendix D). The third section asked people to select areas of the economy in which each type of organization had had a positive impact, and the last simply asked if the respondent had seen general improvement in the town and in their personal financial situation since the war.

### *General Trends in Public Assessment*

Frequency tables of the dependent variable measures reveal interesting trends in the survey data, and will provide the evidence for this portion of the chapter. As discussed in Chapter Two, a connection to the local population is an important part of producing sustainable economic development, and so I asked respondents about their awareness of different types of organizations in order to establish baseline levels of this relationship. First, more people indicated that they were aware of local government organizations than either international or local non-government organizations, although the percentage of people that responded affirmatively was fairly low to begin with. Within the highest scoring group, local government organizations, 28.2 percent of people said yes, they are aware of these types of institutions. International organizations came in second with 22.8 percent, and local non-government organizations fell behind, with only 16.1 percent (see Table 1). On the whole, a majority of respondents were unaware of any type of organization, which suggests that reconstruction as a process has either failed in general or simply failed to include the local population in their efforts. Local government organizations scored the highest on this measure of institutional effectiveness.

**Table 1: Awareness of Organizations**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
Percent Aware of Organization Type	22.8% N= 149	16.1% N= 148	28.2% N= 147

International organizations received the highest percentage of positive feedback for their involvement in the towns as a whole, although local government organizations won out for their impact on people's family situations. When asked if international organizations had had a positive impact on their city, 52.2 percent of respondents chose "Completely Agree" or "Agree". These numbers were lower for local non-government and local government organizations, 45.1 percent and 38.1 percent respectively. Interestingly, local government organizations scored the highest for their positive impact on families, even though they had the lowest score for its impact on the city. With 20.2 percent selecting "Completely Agree" or "Agree", local government organizations surpassed international organizations at 18.9 percent and local non-government organizations at 15.4 percent (see Table 2 for results). Additionally, it is important to note that these levels of satisfaction are all lower than the lowest score for the previous question, meaning people were generally more satisfied with every organizations' impact on the city level than they were in their personal lives.

**Table 2: Recognition of Organizations' Positive Impact**

	International	Local Non-Government	Local Government
Percent Satisfied with Impact on City	52.2% N= 115	45.1% N= 113	38.1% N= 118
Percent Satisfied with Impact on Family	18.9% N= 111	15.4% N= 104	20.2% N= 114

These results have interesting implications for the success of the reconstruction process and institutional effectiveness. First, the variation between town and family numbers may indicate that people are using different criteria to evaluate reconstruction on a city level versus their personal lives, based on the scale of the project. In other words, the size of the project may explain why town-related projects have been more successful, and more individually-focused

efforts have suffered. For example, people may view large infrastructure projects like roads as beneficial for the whole town, and it is easy to judge whether or not this project has been successful; if a road exists where it did not before, that is an example of successful reconstruction in the town. Personally, they may judge success in other areas like employment creation based on their job status; if an individual still does not have a job, reconstruction has failed on the personal level. Secondly, given the results from Table 1, it is interesting to note that even though respondents were most aware of local government organizations, they were least satisfied with their positive impact on the town level. This would suggest that respondents' awareness alone may not be sufficient for measuring institutional effectiveness.

The section of questions asking about general improvement since the war reinforces the point that people are more satisfied with improvement to their city's economic situation than they are when they look at their own lives. 38.4 percent of respondents indicated, yes, they have seen general improvement in their local economy since the war; only 31.1 percent made the same claim about their personal financial status. Again, both of these numbers are low, and imply that a majority of respondents do not believe there has been general improvement in either their community or their individual situation.

The results of the remaining section of dependent variable questions indicated that for every sector of the economy available on the survey, more people believed international organizations had had a positive impact than either local non-government or local government organizations; the one exception was privatization. More than 40 percent of respondents selected international organizations for positively impacting the following areas: employment, employee training, starting a new business, infrastructure, and foreign direct investment; for education, only 37.5 percent selected international organizations. The only deviation from this trend was in

privatization, where the overwhelming majority, 64.8 percent, cited local government organizations as having a positive impact. International organizations came second with 29.6 percent and local non-government organizations finished last with only 3.7 percent. However, local non-government organizations did not always finish last, trumping local government organizations in both employee training and starting a new business (see Table 3 for complete results).

**Table 3: Organizations' Positive Impact on Specific Economic Sectors**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
Employment N= 60	40.0%	13.3%	35.0%
Employee Training N= 50	44.0%	30.0%	20.0%
Starting A New Business N= 59	45.8%	25.4%	22.0%
Infrastructure N= 58	43.1%	12.1%	41.4%
Foreign Direct Investment N= 50	72.0%	6.0%	22.0%
Education N= 56	37.5%	19.6%	32.1%
Privatization N= 54	29.6%	3.7%	64.8%

These results indicate that generally, people have recognized areas of the economy where these organizations place their focus. For example, the only instance where international organizations did not score the highest was privatization. Privatization is a process that requires changes in government policy; the government is responsible for handing state-owned enterprises over to private owners, and so it would make sense that people see this type of organization as having the largest positive impact in this area. People also responded more positively to local non-government organizations in the areas where they are most involved:

employee training and starting a new business. In my interviews with these organizations, their representatives emphasized their roles in increasing employment by offering training services and lobbying for change in government policies relating to the “red tape” associated with starting a new business. These results seem to show that people correctly distinguish between these organizations’ efforts in different areas of the economy.

#### *Factors Influencing Public Assessment*

I utilized cross tabulations to describe the relationships between awareness of different types of institutions and the control variables; the results indicate that certain sections of the population are much more likely to be aware of economic reconstruction efforts than others. First, a higher percentage of male respondents were aware of efforts by all three types of organizations than female respondents. For example, 46.2 percent of men selected “yes” when asked about international organizations; only 10.6 percent of women made the same choice. A comparison across organizations reveals that more men were aware of international organizations (46.2 percent) and local government organizations (41.2 percent) than local non-government organizations (27.5 percent). The highest percentages of women were aware of local government organizations, with 21.5 percent; only 10.6 percent indicated awareness of both international and local non-government organizations.

**Table 4: Gender Trends**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
Percent Men Aware N= 52	46.2%	27.5%	41.2%
Percent Women Aware N= 94	10.6%	10.6%	21.5%



The fact that men were overall more aware of every type of institution involved in economic reconstruction may be related to gender roles within Bosnian society. If men are more likely to provide the primary income for a household, they may make more of an effort to utilize opportunities these organizations provide in the reconstruction process. Similarly, this trend may be related to overall interest in the process; men who are focused on finding employment may invest more time in understanding economic reconstruction. It may also be related to what audiences these organizations target for their programs; the organizations themselves may reach out to men more than women.

Level of education also seems to play a role in determining an individual's awareness of reconstruction. As the level of education increases, so does the percentage of respondents aware of reconstruction efforts by both international and local government organizations. For example, only 12.2 percent of people with a high school education were aware of international reconstruction efforts. That percentage increased to 43.8 percent for those with a trade or vocational school background and it jumped again to 55.6 percent of university-educated respondents (see Table 5 for full results). Again, it is important to compare across categories of institutions; in this case, each set of respondents with a certain level of education responded with its highest awareness of a different type of institution. Those at the high school level were most aware of local government organizations (22.7 percent), those with a vocational background were most aware of local non-government organizations (50.0 percent), and finally, university-educated respondents were most aware of international organizations (55.6 percent).

**Table 5: Level of Education Trends**

	International Organizations	Local Non-Government Organizations	Local Government Organizations
High School	12.2%	9.2%	22.7%

N= 98			
Vocational/ Trade School N= 16	43.8%	50.0%	43.8%
University N= 27	55.6%	23.1%	50.0%

These trends may be indicative of the role education plays in socializing students and what their curriculum includes regarding their post-conflict history. It seems logical that awareness of local government institutions would increase with more education, as understanding government operations is generally a key feature of a social science education; the longer one is in school, the more academic opportunities one has to truly analyze and understand governing structures. It is interesting that awareness of international organizations follows the same trend. This may speak to the information students receive at school, or it may be a result of a culture of interest in the world cultivated by more education. It is also difficult to distinguish between students who are being taught directly about local government and international reconstruction efforts from those with certain personal motivations for understanding the process. For example, some individuals may simply be more interested in reconstruction than others, either because they believe it enhance their careers, or perhaps they want to participate in the political process. In any case, it may be that more motivated people will seek out more education and desire to know more about the reconstruction process. Either way, education appears to be an important factor influencing awareness of reconstruction.

Because I conducted my survey in towns with a majority of Bosniaks, I did not see a lot of diversity in the ethnicity of my respondents, and so I cannot make meaningful assessments between ethnic groups; however, the results do allow for comparisons within each ethnic group and between types of organizations. Bosniaks demonstrated their highest awareness of local government organizations' reconstruction efforts, with 29.7 percent of Bosniak respondents

selecting “yes”. This percentage dropped to 23.3 percent for international organizations and only 16.8 percent for local non-government organizations. Croat respondents were equally aware of local non-government and local government organizations at 27.3 percent, and only 18.2 percent for international organizations. Serbs were the only ethnic group to be most aware of international organizations, with 40.0 percent. No Serb respondents indicated awareness of local non-government organizations, and only 20.0 percent (one respondent) was aware of local government organizations’ economic reconstruction efforts.

**Table 6: Ethnic Group Trends**

	International Organizations	Local Non- Government Organizations	Local Government Organizations
Bosniak Awareness N= 120	23.3%	16.8%	29.7%
Croat Awareness N= 11	18.2%	27.3%	27.3%
Serb Awareness N= 5	40.0%	0.0%	20.0%

I would have liked to see more variation along this control variable because disparities between the majority and minority groups may demonstrate important differences in the audiences each type of organization has been able to reach with their efforts. For example, if the trend towards international organizations shown in these Serb respondents held with more data points, it could implicate a distrust of local organizations that are seen as supporting the majority. On the other hand, the local organizations may actually be discriminating against minorities in their efforts to reach out to the local population. Either perceived or real discrimination could impact minority awareness of local organizations. This is a point that should be explored using a larger sample size in future research of this nature.

I faced a similar difficulty when controlling for refugee status, as the majority of respondents remained in their cities for the duration of the war. So again, I drew comparisons within refugee categories across their awareness of different types of organizations' work in economic reconstruction. Interestingly, of the four categories (remained in their city, moved to another city in BIH, Refugee within the Former Yugoslavia, and Refugee outside the Former Yugoslavia), only respondents who had stayed in their city had the highest awareness of local government organizations: 28.3 percent, compared to 21.5 percent aware of international organizations and 13.2 percent aware of local organizations. Those who had moved to another city with BIH or became a refugee outside of the Former Yugoslavia were most aware of international organizations (50.0 percent and 20.0 percent respectively), and those who became refugees within the Former Yugoslavia were most aware of local non-government organizations (30.8 percent).

**Table 7: Refugee Status Trends**

	International Organizations	Local Non- Government Organizations	Local Government Organizations
Remained in City N= 107	21.5%	13.2%	28.3%
Moved to Another City in Bosnia N= 8	50.0%	25.0%	37.5%
Refugee Within Former Yugoslavia N= 13	23.1%	30.8%	23.1%
Refugee Outside Former Yugoslavia N= 10	20.0%	10.0%	10.0%

If these trends held with increasing responses, it may indicate a relationship between awareness and the type of organization most likely to assist particular groups in repatriation. For

example, respondents who reported being Refugees Outside the Former Yugoslavia during the war may need the most assistance from international organizations that can reach across national boundaries and make connections between different states and parts of the world. Those who chose to Remain in Their City may be more likely to look to and trust their local government institutions. Respondents who need to move around Bosnia itself may relate large infrastructure projects like roads to international organizations, and Refugees Within the Former Yugoslavia may be more trusting of local non-government organizations that seemingly do not involve any national governments. Of course, these are speculations, and would need to be confirmed with further research among these populations.

The survey also revealed an important relationship between awareness of institutions' involvement in reconstruction and satisfaction with their efforts; it appears that by simply raising an institution's awareness, satisfaction with that institution on the city level will increase dramatically, while personal satisfaction is less affected. To illustrate this trend, I utilized cross tabulations of two of the dependent variable measures: responses to the first section of questions concerning awareness of a type of institution's reconstruction efforts and responses to the statement, "[type of institution] has had a positive impact on my [city/ family]". With every type of institution, the percentage of respondents that either "Completely Agreed" or "Agreed" with the above statement on the city level was much higher if the respondent was aware of their efforts. For example, of the respondents that indicated they were aware of international institutions' economic reconstruction efforts, an overwhelming 83.8 percent also chose "Completely Agree" or "Agree". For those that said they were not aware of any international institutions engaging in reconstruction, only 40.5 percent chose the same responses. This pattern held for awareness of every type of institution compared to their positives impacts on the city.

**Table 8: Impact of Awareness on Positive Assessment**

	International Organizations	Local Non- Government Organizations	Local Government Organizations
Percent <b>Aware</b> and See Positive Impact on <b>City</b>	83.8% N= 31	81.0% N= 21	77.8% N= 36
Percent <b>Unaware</b> and See Positive Impact on <b>City</b>	40.5% N= 84	37.4% N= 91	19.8% N= 81
Percent <b>Aware</b> and See Positive Impact on <b>Family</b>	48.1% N= 27	41.2% N= 17	37.1% N= 35
Percent <b>Unaware</b> and See Positive Impact on <b>Family</b>	9.6% N= 84	10.5% N= 86	12.8% N= 78

This relationship between awareness and a positive assessment of institutions' involvement in reconstruction has vital implications for increasing institutional effectiveness. It seems that simply making the local population more aware of an organization's efforts will improve people's opinions of that organization. Perhaps this seems straightforward, but the consequences are actually essential in evaluating the success of reconstruction process. This demonstrates that when the local population knows about an institution's efforts, they are generally happy with the results; it is when people do not know what is going on that they are more likely to be dissatisfied with reconstruction. Therefore, perhaps any lack of support for economic reconstruction on the ground is partly the result of a lack of awareness, not dissatisfaction with the types of projects or the organizations themselves.

### *Conclusion*

According to public perceptions of institutional effectiveness, international organizations are the most effective at engaging in economic reconstruction, followed by local government institutions and local non-government institutions. Based on trends in the dependent variable

measures on the survey, international organizations have the most positive impact on the majority of sectors in the economy, respondents were the most satisfied with their impact on the town level, and among those who were aware of their efforts, they received the highest percentage of satisfaction. Local government organizations scored well for their positive impact on various economic sectors and on respondents' personal situation. Local non-governments generally fell behind these two, except when comparing awareness and positive impact; in this case, when respondents were aware of their efforts, local non-government organizations scored almost as high as international organizations. In general, the survey results suggest that international organizations have the highest level of institutional effectiveness, although this does vary some within particular measures.

### **Interview Results**

The interviews are an important measure for assessing institutional effectiveness because they allowed each organization to assess their own experiences; they could clarify what exactly their goals are, what projects they have in place to meet those goals, what standards are used to evaluate their progress, and finally what factors or circumstances have contributed to their success or failure. Certainly, these organizations wanted to present their best side, and so the other measures are equally important for triangulation; however, I did find that most people were willing to speak candidly about problems they had faced. For example, because I did not use a tape recorder, people felt comfortable speaking off the record. Interestingly, these stories were the most incriminating of other organizations, indicating that respondents wanted to give me the whole story privately without tearing others down in public. In general, our conversations revealed details and relationships that only an insider could provide.

#### *International Organizations*

The over-arching goal of the Office of the High Representative is state building through a “trickle down” approach, and the organization does this through both domestic and international channels. First, the Economic Transition Unit targets the domestic economy by promoting fiscal reform that is distinct from the constitutional framework; this is where they have run into the greatest complications. For example, the current banking system is run by one representative from each entity, rather than a unified national bureaucracy, which is not practical when most banks exist on both sides of the entity line. The OHR is struggling to find a solution that streamlines the system without addressing the dissolution of the entities entirely, which would require constitutional reform. The OHR also works with the international community, including the European Union and international donors, to coordinate development projects throughout the country that are in line with Stabilization and Association Agreement requirements.<sup>1</sup> Through government reform and international assistance, the OHR hopes to fulfill its state building mission, recognizing that once it has, the need for the OHR will disappear.

The OHR has seen moderate success since its inception at Dayton, facing challenges because of the nature of the conflict and the existing political elite. Because their domestic goals involve producing policy, the OHR considers it a success when reforms are implemented. Successful areas include value added tax reforms, improved judicial efficiency with respect to economic issues, and more legal certainty as judges and lawyers learn to apply case law and not just written law. On a critical note, this measure of success says nothing about domestic commitment to these reforms; a reform that must be imposed by the OHR should probably be considered less successful than a policy that the OHR develops and recommends, which is then approved by Bosnia’s elected government. Their efforts are frustrated by a government that is

---

<sup>1</sup> The Stabilization and Association Agreement is the most recent step in the process of EU accession. EU member states approved Bosnia’s agreement in May 2007.



“reforming very slowly and not realizing that someday they will need to stand on their own,” (Pribitzer, Personal Interview). The nature of the conflict plays in to this process; because the war ended without a clear victor, no party feels it should be the one to sacrifice for the good of the state. On the international side, political will to remain active in Bosnia is failing and so donor aid is falling. In short, the OHR has made some progress, but not enough to consider its mission a success; unfortunately, without the international funding or domestic support to continue, the OHR can only do so much.

The World Bank’s experience in Bosnia, as Mr. Goran Tinjic described it, came in two phases, the first of which was very successful. The post-conflict phase, from 1996-2002, focused on restoring basic services and investing in physical infrastructure like roads, water and housing, as well as building financial infrastructure, including banking and currency reforms. The goal was to “help the people in BIH see the benefits of peace” (Tinjic, Personal Interview). With this in mind, the World Bank also worked on employment generation by offering credit lines to SMEs and privatizing the banking sector. In general, the Bank considered Phase 1 highly successful; their efforts helped restore freedom of movement through infrastructure development, invigorate the grassroots economy through microcredit, as well as maintain macroeconomic stabilization through policy reform. Mr. Tinjic credited this success to the World Bank’s adrenaline and flexibility, and the nature of the projects. He claimed, there was so much to be done and the Bank’s previous experience made it quick and efficient. The results were very tangible and made people feel good, like rebuilding bridges or hospitals. This initial reconstruction phase helped return the people in Bosnia to normal living, and so it was considered very successful.

The second phase of the World Bank's involvement in Bosnia focused more on policy issues than physical restoration, and like the OHR, the Bank has faced challenges from political elite. Once most of the infrastructure had been reconstructed, further economic development in Bosnia required the establishment of a self-sustaining market economy. To do this the Bank began addressing privatization and corruption issues, but they have run into major obstacles. First, BIH scored very low on a 2007 World Bank Business Practices survey because new businesses have so much red tape to cut through. On another note, corruption within the government has resulted in significant state capture. These structural reforms must be addressed in order to attract foreign direct investment and create sustainable growth; unfortunately, they require a committed political elite, which Bosnia simply does not have, at least among elected officials currently in office. Economic development issues have been pushed to the side of high politics and constitutional reform.

Like the World Bank, USAID focuses on economic goals, but again the political climate frustrates some of their efforts. In the post war period, USAID's main emphasis was on rebuilding infrastructure and providing loans and both areas were deemed very successful. The infrastructure projects dealt with transportation issues, including restoring the rail line from Tuzla to the border of BIH; these developments helped restart trading within the region. Progress in these areas was easy to measure. For physical infrastructure, success is fairly straightforward; for loan projects, they used employment and export data as measures of success. In 2000, USAID turned towards more policy-oriented areas, including promoting democracy, reinforcing local NGOs, and reforming the justice system. All of these projects are results-oriented, with measures built in to determine their success.

In order to clarify this point, Ms. Kasey Vannett described an economic development initiative project called LAMP, which stands for Linking Agricultural Market to Producers. The project has three distinct goals, to decrease food imports to Bosnia, create jobs in the agricultural sector, and increase incomes for Bosnian farmers. To do this, the project links buyers and sellers in the market, provides financing opportunities, and offers farmers technical assistance. In the first three months of the project, “LAMP conducted over 1,000 meetings with agricultural producers, facilitating over two million KM in new contractual relationship for Bosnian agricultural businesses,” (Vannett, Personal Interview). Because of these early results, the project was labeled a success. Although these indicators are fairly straightforward, Ms. Vannett did point out that oftentimes people change success measures as the project continues because they have found a better indicator, and this makes it difficult to measure success consistently. This could certainly taint or limit USAID’s ability to determine its own institutional effectiveness.

Although USAID does not deal directly with constitutional reform, political disharmony and the ethnic divisions in Bosnia have proven the largest barrier to institutional effectiveness. As an example of this, Ms. Vannett described one of their projects targeting labor mobility issues, called ELMO. The project works with local authorities to lower barriers to labor mobility. Currently, every person has a physical labor book that they must carry around and give to employers to record their salary and pension plans. The laws between the two entities are not harmonized so people that work in the Federation and live in Republika Srpska have trouble figuring out which plan they fall under and to whom they must report. The Federation is even more confusing, with divisions along 10 canton lines. Echoing her other international counterparts, Ms. Vannett recognized that in order to see continued success in economic

reconstruction, there must be a move towards creating harmony in the domestic political environment.

In general, these international institutions believed they had been largely successful in their efforts just after the war, but had run into significant complications when they started tackling more policy-oriented issues. Of course it seems natural that all of these organizations would evaluate themselves highly in order to produce a positive image, and this does raise questions about their willingness to speak openly about their own failings. Rather than criticizing their own efforts, every organization cited problems with the Bosnia government and the need for major political reform as an obstacle to their progress; it possible they were searching for a scapegoat, although it is interesting that they all picked the same one. They reinforced each other's claims, that Bosnia's state government has played a negative role in its reconstruction process.

#### *Local Non-Government Organizations*

As a regional agency, REZ focuses on development in five areas of the economy, and their cooperative relationships with municipal level governments have contributed to making these projects successful. These areas include SMEs, agriculture, tourism, human resources, and infrastructure. Their efforts range from conferences, roundtables, and advising services designed to support local businessmen, to promoting tourism through projects like "Valley of the Castles", where they produce and distribute information on the historical landmarks in the region. The director, Ms. Amela Malicbegovic, argued that all 33 of their current or completed projects were designed with "tough indicators... and they have always achieved beyond the goals they set out to reach" (Malicbegovic, Personal Interview). She expressed confidence in their successes, claiming, "If we have a good donor, and the project is in one of our five focus areas, the projects

are easy to implement,” (Malicbegovic, Personal Interview). Unfortunately, she did not provide any specific examples of these indicators, but their numeric results do speak volumes. In their first three years, REZ’s efforts have created an additional 20 million KM in investments and income, 283 new jobs, and sustained 1200 existing jobs.

Ms. Malicbegovic credited REZ’s mixed experience with Bosnia’s government and relationship to CHF International, their parent organization, with the largest impact on their effectiveness. As international institutions also reported, municipal governments and mayors are some of their biggest supporters, but on the other hand, “high politics” within the state government has proven to be the biggest obstacle. Because REZ operates across established boundary lines within Bosnia, they are constantly working with all levels of the government to coordinate projects and get approval based on different regulations. However, Ms. Malicbegovic remains hopeful, and spoke of a meeting with the Prime Minister for the Federation where he discussed his vision for their future cooperation. She also recognized the importance their relationship with CHF International. They have contributed advice based on five years of experience, as well as providing funding; additionally, eight of their twenty-five employees came directly from CHF. Overall, Ms. Malicbegovic was optimistic about REZ’s success and institutional effectiveness, and refused to let politicking stand in the way of economic development in Zenica.

NERDA, another regional development agency, also focuses on several sectors in the economy, but their most current work is directed at increasing employment; they consider their projects in this area very successful. Mr. Slavisa Stajkovic, the project planning manager, describe their most recent project. NERDA works directly with the Swedish government to support SMEs in the region. The project began by offering Bosnian firms the opportunity to visit

companies in neighboring regions like Italy and learn from their business practices. NERDA is also working with outside consulting firms with the goals of transferring their managerial knowledge and experience to BIH companies. Lastly, they have established an investment fund for new businesses; if a firm completes the NERDA's training, it is eligible to apply for funding. In designing the project, NERDA specified indicators to ensure that the project progressed successfully. Unfortunately, Mr. Stajkovic did not elaborate on these indicators in detail.

When questioned about factors contributing the success of programs like the one described above, Mr. Stajkovic did not express the same distaste for the state government as his regional counterpart at REZ; instead, he focused on the benefits of having experienced employees and chose to ignore political issues. In his eyes, NERDA cannot change the government; they can only work in the field with companies and try to support whoever they can in a professional manner. Like REZ, they have to ignore established boundary lines, but as soon as they start thinking about policy, they "might as well close their doors" (Stajkovic, Personal Interview). Their job is to bring money into the region and train nationals to apply for it and use it wisely. To that end, Mr. Stajkovic spoke highly of his colleagues and their experience in other international organizations; he commented, "they are good at finding solutions to problems and they never give up," (Stajkovic, Personal Interview). On the whole, NERDA's emphasis on employment has produced successful projects in the Tuzla region.

A comparison of my interviews with official at REZ and NERDA highlights the impact an interviewee's personality can have on the type of responses they provide. Ms. Malicbegovic is the director at REZ and an incredibly dynamic individual, and I believe her position and her personality contributed to the quality of data I collected in our interview. First, she had a very wide perspective on REZ's mission and purpose in Bosnia as a country. As the manager of the

organization, she has insight into how individual projects relate to their larger goals. Second, she had experience working directly with entity and state level officials and provided information that other officials within the organization probably do not have. Lastly, she was very open and honest with me, sharing stories both on and off the record, and discussing at length how their work could alter Bosnia's government structure in the long run.

In contrast, Mr. Stajkovic, although very polite, seemed fairly disinterested in my project and unenthused about our interview. He continually directed me to the website for details about NERDA's projects, and did not seem to have a lot of the information I needed. He seemed tired and worn out, particularly when I asked about his experience working with the state government. His answer to those problems was simply to ignore them, work around them, and do as much as possible without their support. He seemed content to do his job, and let the future take care of itself. Whether or not his apparent discouragement was a result of his type of position, working more closely with less successful projects, or his personality, I could not tell.

The Business Start-Up Center (BSUC) had opened its doors only two months before I arrived, and so their opportunities for success were limited in scope; however, as a new organization, the BSUC has experienced the benefits of supportive local partners and the challenges of working with the state government. As of July, the BSUC had only recently begun its first set of business training modules, where participants learn how to write a business plan, along with other practical skills. They had 96 applications for the first module, and only had slots for 50, so they selected applicants based on the sustainability and feasibility of their concept, and the individual's qualifications. The first two trainings were successful, with no negative feedback from participants. When asked about the factors contributing to their success, Mr. Mirza Meskic cited their local partners' support and advice; these organizations include REZ and

the municipal government. Their biggest challenge was registering the BSUC with the federal Ministry of Justice, where the paperwork was extensive and the process was slow. Employees at the BSUC were young, like their organization, and as such they had had bright hopes for the BSUC's development and success in the future.

These local non-government organizations also considered themselves generally successful, although their self-evaluations must face the same scrutiny described above. Again, these organizations identified the state government as an obstacle, although they did generally speak more optimistically. REZ believes their organization can positively impact higher-level political issues through economic reconstruction. NERDA's decision to work around the government shows their unwillingness to allow politicking to hinder their efforts. The Business Start-Up Center was energized by their early success, and hopeful for their future.

#### *Local Government Organizations*

Thanks to its unique position within Bosnia and an obvious need for its services, the Business Service Center (BSC) has seen significant qualitative success, even its quantitative successes are only moderate. The BSC's mission is two-fold: improve business-government relationships and provide practical support and assistance to business in the Zenica-Doboj canton that trying to build their capacity. The BSC works directly with both private companies and municipal and cantonal governments to promote the first half of their mission. As the first point of government contact for local businesses, the BSC works to connect these private sector firms with their public sector counterparts in the government. Additionally, they try to network between government structures, putting municipal level officials in touch with the appropriate federal personnel and vice versa. According to Mr. Salih Alispahic, "this has been very successful, and they have gotten a very positive reaction from both sides," (Alispahic, Personal



Interview); given the disconnect between government bodies I had heard in previous testimony, this seemed like a definite accomplishment.

The Business Promotion Project is the largest manifestation of the second half of their mission, to provide local businessmen with essential resources. The BSC, in association with other regions, sent 4000 letters to foreign companies promoting the financial benefits of Zenica Dordbro canton, mostly in the areas of metal processing, natural resource exploitation, and wood production. Out of 4000 companies, they received 150 “requests for cooperation”, which they processed and forwarded to local companies. Of those 150, 12 sent representatives to Zenica to sign contracts, and the BSC arranged those meetings. Although the number of contracts actually signed seems small, “it is important emphasize quality versus quantity,” (Alispahic, Personal Interview) when assessing the success of the project.

Even for the BSC, a local government organization, the federal government has proven to be an obstacle to their effectiveness and success. Mr. Alispahic described the struggles he has experienced trying to work with local businessmen. Bosnia’s socialist heritage, lingering from its time within the former Yugoslavia, has left a sense of suspicion and distrust between the government and private businesses; any business operating and doing well under socialism was an enemy of sorts. As mentioned above, the BSC is trying to change that image by offering honest, practical, free support, and although there is a lot of bad blood to overcome, they have seen some success. However, Mr. Alispahic noted, “any local vision has to be connected to a larger state vision; there must be changes in the structure of the government, as well as the implementation of equal and sensible regulations on the national level,” (Personal Interview). For example, because of differences in regulations, taxes, and pensions between the Federation and Republika Srpska, people will “relocate” their businesses or hire employees without

registering them with the government for tax breaks. This inconsistency inhibits information flows and obstructs relations between Bosnian firms. If the BSC is ever going to see significant quantitative results, the federal government must make some serious changes.

ZEDA was the first organization that did not cite politics or the government in any way when discussing factors contributing to their success; instead, the deputy director believed a lack of funding was their biggest obstacle. As a local government organization operating at the municipal level, ZEDA provides support to local business through business zone and incubator projects, loans and other forms of financing, and general business advising or counseling. Mr. Naidin Ahmetpahic was able to quantify their results: since 2004, 2000 people have been employed in the zone, as well as 60 more employed in the 21 incubator companies. However, as such a young organization with young projects, he refused to label their work a success; he only said that with the appropriate funding, his team could implement any plan or project.

Interestingly, even though both the BSC and ZEDA operate in Zenica, their experiences with the federal government seemed very different, and in this case, I do not believe personality had a real impact. Both men were very positive and seemed to truly enjoy their jobs. They both care deeply about Bosnia and Zenica in particular, and they each believe in their organization's mission. However, ZEDA officials did not mention problems with the federal government once. Instead, they claimed that the government had recognized a need in the community and responded by establishing ZEDA. The BSC, on the other hand, spoke as if they were fighting their connection to the government by trying to establish their own positive reputation in the community. This difference may be caused by interactions with different levels of government; ZEDA works with the municipality, while the BSC works with the canton. Thus far, it appears that the higher up in Bosnian politics one moves, the more obstacles and problems one faces.

*Conclusion*

My interview results provided less variation along the dependent variable of institutional effectiveness than the survey; however they are important for providing an insider's look at factors influencing this success. Because these organizations engage in such a wide range of projects, it was impossible to choose a particular indicator by which they could all be measured, so I chose to allow them to assess their own effectiveness. Of course, this raises questions about the honesty of their answers and willingness to criticize their organizations. I hoped to address this concern by asking questions about factors contributing to success and failure, rather than directly challenging their effectiveness as organizations. Although these institutions did speak highly of their successes, their personal testimony about the obstacles they have faced provides important insight into which of the independent variables discussed in Chapter Four has had the greatest impact.

In general, international institutions cited poor organizational interests within the state government as their biggest hindrance to dealing effectively with policy issues. Their resources, including funding and technical expertise, contributed greatly to their initial success in infrastructure development and restoring macroeconomic stability. Local non-government organizations also blamed the state government for limiting their effectiveness, and cited resources in the form of experienced employees and support from international organizations as their greatest strengths. As discussed earlier, these were relationships I did not anticipate and seem to very positively impact their institutional effectiveness. However, perhaps the most unexpected realizations came in my interviews with local government organizations. The BSC, an organization established by the cantonal government in Zenica, also argued that the federal government's reputation limited their effectiveness. ZEDA, on the other hand, believed financial

resources were their greatest weakness. I did not expect either of these observations to arise, and it reinforced the need to differentiate local from state level government organizations.

The next chapter will focus on synthesizing these findings with those from the previous chapter in the hopes of better understanding how each of these organizations can achieve greater institutional effectiveness and success in the economic reconstruction process.

## **Chapter Six: Getting the Whole Story**

Combining the findings from the previous two chapters reveals an important disparity between what the independent variables recommend should be the most successful cooperative arrangement and what the dependent variable measures reveal about institutional effectiveness. By looking at each type of institutions' resources, local knowledge, and organizational interests, the data suggests that the most effective arrangement would be centered on local non-government organizations that are supported financially by international institutions and politically by local government institutions. Local non-government organizations seemed the most connected to the local population, they demonstrated positive organizational interests to support Bosnia overall growth, and their financial connection to international organizations provided the necessary resources to complete their objectives. However, local non-government organizations did not score well on the survey as a measure of institutional effectiveness; respondents were the least aware of their efforts, they received the lowest ranking for their positive impact on families, and they were not selected as the having the most positive impact on any sectors of the economy.

In this chapter, I will explore this apparent disconnect, and offer recommendations based on these findings to improve the economic reconstruction process. I will begin by looking back at the differences between my hypotheses and findings concerning these independent variables. Then, I will return to my dependent variable measures and discuss what they may mean for improving institutional effectiveness. Next, I will address the role awareness and education may play in causing the above divide. Lastly, I will offer two major recommendations for enhancing the economic reconstruction process in general.

### **Independent Variable Comparison**

First, my hypothesis argued that low levels of local knowledge and potentially conflicting organizational interests would inhibit effectiveness in international organizations. I believed international organizations would face a substantial challenge in connecting to the local population, an essential part of creating sustainable economic development. Because people outside of the conflict staff these organizations, they are more likely to be unaware of the nuances within the post-conflict context. Projects and programs designed and implemented by outsiders would limit the potential for homegrown initiatives, making them less sustainable in the long run. Additionally, the literature and I pointed out that international financial institutions founded on principles of a liberal market economy may seek reforms to this end, despite their appropriateness to the economy in question. Their organizational interests produce these generalized reconstruction programs, which will not be sustainable unless they have local roots. On a more positive note, international organizations should certainly have the resources to complete reconstruction, with funding from governments all over the world and large operating budgets.

In contrast to my hypothesis, international organizations actually demonstrated moderate levels of local knowledge, reaching out to the local population through their hiring processes and project design methods. The Office of the High Representative in particular makes hiring national employees a priority, although this is a recent policy change, and tries to explain their efforts to the communities in which they work. It is important to note that although the OHR is an international organization in the sense that it is funded and staffed by outside governments, it only operates within Bosnia. Reconstruction in Bosnia is the sole reason for the organization's existence, so it makes sense that they would strive to connect with locals; they have no other relationships or experience to build on. I did correctly assess the other two independent

variables. International organizations did demonstrate high levels of resources, with large budgets and lots of managerial experiences. Also, liberal market ideals did drive their organizational interests, with preparation for European Union accession dominating their goals.

Next, I hypothesized that local non-government institutions would be mostly limited by low levels of resources, but excel in their local knowledge and organizational interests. When I began investigating these organizations, I envisioned small, focused offices with shoestring budgets and idealistic employees. Because their work and their staff were more localized, I believed their local knowledge would be deep and detailed; they would not struggle to reach their communities because they were already a part of them. Their organizational interests would put Bosnia's reconstruction at the center, as that is the sole purpose of these institutions in the first place. Their major obstacles would be limited resources in terms of funding and managerial know-how. Because of their size, the scope of their projects would be small as well, and although their staff may have some education in economics, I argued that the lack of experience in the field would hinder their success.

In my experience, local non-government organizations did demonstrate high levels of local knowledge and positive organizational interests, and their resources were not as limited as I had predicted, due to their sources of funding. Initially, I did not anticipate the relationship between international and local non-government organizations. In reality, these local institutions are supported largely by international ones, and their employees often come with experience working in the international arena. When I visited these offices, I heard about large grants and knowledgeable teams, rather than listening to tales of financial hardship and clumsy inexperience. This dependency on international organizations for financial support may influence local non-government institutions' organizational interests; however, this is not

necessarily a negative relationship. First, EU accession would have a lot of macroeconomic advantages for Bosnia, including access to large European markets and exchange rate stability. Second, local non-government organizations seemed able to balance that objective with local goals and projects. Their major obstacle was not based on a lack of one of my independent variables; instead, their greatest challenge was their relationship with the state government, or lack thereof. Both the larger regional organizations and the small business center faced problems whenever they dealt with the federal government. In this case, a more cooperative arrangement could clearly enhance effectiveness in local non-government institutions.

Lastly, I argued that local government organizations' desire to consolidate power and capitalize on nationalistic sentiments would create poor organizational interests and limit their institutional effectiveness, even though they had both the resources and the local knowledge to be successful. In the literature and in my experience, the government in Bosnia has a reputation for corruption and inefficiency. With several layers of authority, particularly within the cantons in the Federation, the government is a large and largely unnecessary bureaucracy; it provides opportunities for personal gain rather than national development. My hypotheses reflected this understanding, recognizing poor organizational interests as the primary barrier to institutional effectiveness on the local government level.

My hypotheses regarding local government organizations were largely mistaken because I failed to make an important distinction between the local government and state and entity level governments. First, these institutions were the only ones to cite problems related to resources; they felt that limited funding played a large role in preventing them from achieving their goals or mandates. Their levels of local knowledge were mixed, depending on the source of their mandate. In two cases, local government organizations had to take direction directly from a



higher governing body, and did not involve the local population in either designing projects or constructing their mandate. However, these organizations are dedicated to Bosnia's reconstruction, and do operate with positive organizational interests, like generating local employment and improving the relationship between business and government. It is interesting to recognize that not all negative reports concerning the broader government structure in Bosnia apply to their local counterparts.

Overall, local non-government organizations' local knowledge and positive organizational interests combined with the resources they already receive from international organizations should make them the most effective type of institution engaging in economic reconstruction. With locally based employees, a deep concern for the communities in which they work, and a reputation disconnected from the government, these organizations ought to appear trustworthy and be best positioned to provide sustainable ground-up solutions to sagging employment. To be most effective, local non-government organizations would engage both international and local government institutions in a cooperative, complementary arrangement. International organizations could continue to offer both financial and technical resources in support of local initiatives, and local government organizations can provide the rule of law and the policy framework necessary for a market economy to flourish. By capitalizing on each other strengths, these organizations ought to successfully engage in economic reconstruction.

### **Dependent Variable Results**

My first measure of institutional effectiveness, basic economic indicators, revealed that international institutions may be the most successful type of organization engaging in economic reconstruction. GDP, GDP per capita, and unemployment figures suggest that while Bosnia continues to grow on a macroeconomic level as a result of infrastructure development, the lack

of job creation and potential state capture may be inhibiting employment growth. As discussed in Chapter Five, these results may demonstrate an important trend in areas of economic reconstruction: employment generation efforts have been unsuccessful, while large scale physical projects have been successful. Triangulating these results with my interviews indicates that international institutions may be more effective than either local non-government or local government organizations. In my case studies, only international institutions reported focusing on infrastructure, while the other two primarily deal with employment initiatives, including business incubators and business advising services. The fact that unemployment has actually increased since the war may indicate a failure on the part of local government and non-government organizations, while international efforts have contributed to GDP and GDP per capita growth.

It is important to recognize the varying complexity of these tasks; it is possible that the nature of the projects themselves contribute to their success, in addition to the characteristics of their implementers. Large-scale infrastructure projects, such as rebuilding roads, restoring hospitals, and renovating schools, are fairly straightforward and finite. It is easy for locals to see the differences these initiatives make, and implementers know precisely when the project has been completed. On the other hand, employment generation initiatives require more technical expertise, operate with long-run objectives, and probably have less obvious indicators of success. Although some of the organizations discussed throughout this project can provide some concrete numbers as to their impact on employment, oftentimes it may be difficult to see the sustained results of their efforts. For example, the Business Start Up Center knows how many individuals participated in their first training modules, but it may be more difficult to track what these people have done with their training or how many businesses were established, not to mention their

impact on overall economic progress in Zenica. Generating sustainable employment is a more delicate task than infrastructure development, and as such it may naturally be more difficult to be successful in this area.

The survey results echoed what the economic indicators illustrated: international institutions have the highest institutional effectiveness, followed by local government and local non-government organizations. Although international institutions only had the second highest percentage of respondents aware of their efforts, their scores on the other two indicators were impressive. When asked to agree or disagree with the statement “[type of institution] has had a positive impact on my city,” over fifty percent of respondents selected Agree or Completely Agree, a higher score than either of the other two groups. Similarly, when asked to select which type of institution had demonstrated a positive impact on different sectors of economic reconstruction, international organization had the highest percentage on six of the seven categories. Overall, the survey demonstrated that, according to local populations in Zenica and Tuzla, international institutions have the highest level of institutional effectiveness.

In contrast, local government and local non-government organizations did not demonstrate the same level of institutional effectiveness according to the survey. Local government organizations had a few high scores for the percentage of respondents aware of their efforts and satisfied with their positive impact on their families and privatization. However, they also had the lowest score for demonstrating a positive impact on the city level, and fell behind international organizations for their impact on every other specific area of economic reconstruction. Local non-government organizations performed poorly almost across the board, never receiving the highest percentage for any indicator institutional effectiveness, and often scoring well below both international and local government organizations.

By triangulating all three measures of institutional effectiveness, it would seem that international institutions are in fact the most successful at engaging in economic reconstruction. Given the comparison between the standard economic indicators and the interview results, international institutions large-scale infrastructure projects appear to be the most effective. In evaluating the survey responses, it looks like the local populations agree. This raises an interesting question: if local non-government organizations are the most poised to engage in economic reconstruction successfully according to measures of resources, local knowledge, and organizational interests, why to the dependent variable measures of institutional effectiveness reflect something different?

### **Responding to the Question**

Based on the results of the survey when controlling for level of education and awareness of reconstruction, I am proposing two explanations for this disconnect between what my independent variable findings suggest and what my dependent variables findings demonstrated. First, local non-government organizations may do a poor job advertising their role in economic reconstruction and the programs they have available. As demonstrated in the survey results, controlling for awareness of reconstruction showed that when respondents were aware of an organization's efforts, there was a dramatic increase in the percentage that believed organizations were having a positive impact on both their town and their families. This seems like a logical connection: people can only take advantage of opportunities they know are available. Perhaps local non-government organizations simply do not focus on promoting themselves appropriately. In that case, their institutional effectiveness suffered according to the survey because bad marketing, not because of an issue with the independent variables.

The second explanation for local non-government organizations' lack of success is that their impact is failing to trickle down because of a lack of business-related education among the majority of the population. Their employment initiatives may only target a small segment of the population, including entrepreneurial and business-savvy individuals with the education and experience to benefit from advanced training programs and seminars. In a society coming out of a socialist economy, there may simply be too few people with the necessary education and skills to engage in the programs offered by local non-government organizations. This argument would suggest that in order to truly capitalize on local non-government organizations' institutional effectiveness, the population must achieve higher levels of education.

The survey results support this claim. As discussed above, awareness seems to have an impact on satisfaction with organizations' reconstruction efforts; cross tabulations of education and awareness reveal that increasing levels of education may lead to increased awareness of reconstruction efforts. So, education could be a key element of successful reconstruction for two reasons. First, education promotes awareness of reconstruction in the first place, and awareness increases individuals' ability to capitalize on available programs local non-government organizations provide simply because they know they are in place. Secondly, increased education may be required to capitalize on technically advanced business training. Without the background knowledge necessary for understanding their programs, the population may not experience the benefits local non-government organizations' reconstruction efforts offer. Therefore, local non-government institutions' apparent lack of institutional effectiveness may be a result of an undereducated population, rather than a lack of resources, local knowledge, or poor organizational interests.

### **Recommendations for Increasing Institutional Effectiveness**

*Increase Cooperation*

The purpose behind analyzing the strengths and weaknesses of these various organizations is to understand how they can best work together in some type of cooperative arrangement, but to begin I want to acknowledge the cooperation that already takes place. First, local non-government organizations appear to do a good job coordinating their efforts with other local non-government organizations. The three institutions I interviewed are a perfect example of this. The Business Start-Up Center receives funding, support, and advice from REZ; its existence in Zenica is the result of efforts by REZ and others to establish this type of organization. Similarly, REZ and NERDA, as two of five regional institutions, have had to collaborate with each other to support one larger vision of Bosnia's appropriate economic structure. For example, just before I arrived in Bosnia last summer, all five organizations had come together to present the merits of the arrangement to the Prime Minister of Bosnia, who responded positively with offers for future cooperation. Because they were able to work together towards that common goal, both local non-government organizations experienced increased institutional effectiveness.

International organizations also cooperate with other international organizations, coordinating with both institutions and donors. In fact, that is one of the main responsibilities of the Economic Transition Unit at the Office of the High Representative. In my experience, local government organizations did not exhibit these same relationships. For example, ZEDA and the Business Service Center never spoke of each other; although the local governments in Zenica established both organizations, there did not appear to be a connection between them. In short, there appear to be some established channels of coordination between like-institutions.

Additionally, organizations do engage in some cooperative arrangements across categories, namely transferring resources. One channel moves funding and experiential knowledge from international organizations to local non-government organizations. Because REZ and NERDA are both parts of a plan to prepare Bosnia for EU accession, these institutions receive significant funding from the European Commission and the rest of the international community. In fact, the EC had offices in the same building directly below REZ in Zenica. Officials within these organizations also spoke of “chasing grants” from international donors, including other governments and organizations. Local government institutions also transfer funding to local non-government institutions. The Business Start Up Center is a product not only of efforts by other local non-government organizations as mentioned above, but also of local government organizations like the Business Service Center and the Zenica Chamber of Economy. In these examples, the main connection between these institutions is money.

Based on each category’s strengths and weaknesses, there are some other channels of cooperation that, if opened, could enhance institutional effectiveness. First, a local non-government organization, with a high level of local knowledge, would be an excellent point of contact for an international organization looking to engage in a project directed towards a specific town or region. With a wider network of local contacts and greater awareness of the needs of the community, the local non-government organization could provide important advice and support to an international organization with the resources and experience to pursue a technically demanding project. This could also be true for local government organizations and local non-government organizations. Here, local non-government organizations that are not subject to the same suspicion or criticism as their government counterparts could reach out to community leaders and businessmen, and put them in contact with government officials to work

on privatization projects, for example. Lastly, international organizations have and should continue to exert pressure on the state and entity governments to improve their organizational interests. This is an area of great concern, because without adjustments to “high politics”, none of the organizations I have discussed will reach their potential for institutional effectiveness. Constitutional reform must occur in order for Bosnia to continue to make progress, and although it is a topic for another project, it is important to acknowledge the role the state government has played in limiting the success of economic reconstruction.

### *Increase Awareness*

As pointed out throughout this paper, organizations are not the only parties involved in economic reconstruction; the local community and their perspectives matter for assessing institutional effectiveness and creating sustainable progress. As discussed above, there is an important connection between simple awareness of an institution’s reconstruction efforts and people’s satisfaction with those efforts; as awareness increases, satisfaction increases. Satisfaction in this case is an indication of the visibility of the “peace dividends”, which Susan Woodward and others argue are an important part of maintaining sustainable economic growth. In other words, once an average citizen has seen and experienced the economic benefits of a peaceful society, they will be more inclined to avoid violence and pursue peaceful means of conflict resolution. The results of the survey suggest that raising awareness of reconstruction efforts would be a good place to start to increase levels of satisfaction. This says nothing about whether or not locals are involved in designing projects, for example; it only says that by telling people about your organization and its work, you can start winning people over for peace.

International organizations may already be an example of this principle. In the survey, when asked which type of institutions had had a positive impact in different areas of the



economy (another measure of satisfaction), more people selected international organizations in every area except privatization. Now, although international organizations scored below local government organizations on levels of awareness, it is interesting to note that international organizations do leave their mark on a project, so to speak. For example, when USAID funds infrastructure development, like rebuilding a road, they place a sign next to that road citing USAID's involvement. Perhaps this is part of the reason international organizations scored the highest on the above indicator of satisfaction. If this is the case, publicity and marketing ought to be key features of economic reconstruction programs.

## **Chapter Seven: Concluding Remarks**

I could not help but cry. Standing at the memorial surrounded by stone panels covered with the names of the dead, my head literally swirled with anger and sadness and frustration all at the same time. Eight thousand seemed like such an impossible number. In July 1995, the war in Bosnia reached unprecedented levels of violence as the Bosnian Serb General Ratko Mladic orchestrated the murder of 8,000 Bosniak men and boys in the UN protected safe area of Srebrenica. Discarded in mass graves throughout the surrounding hills, the Bosnian authorities uncover and identify about 500 additional bodies every year, which are buried the graves situated next to the memorial. I listened as one woman described the loss of her husband and three sons in the massacre and watched as she pointed to their names on the long list of victims. I could hardly breathe as we walked along the path through the graves sites. There were just so many of them. And they should have been protected. They were supposed to be safe, but they were lost and it made me so angry. I realized that the war in Bosnia touches in a personal way and its reconstruction would require that same level of personal commitment.

I traveled to Bosnia looking for an explanation that textbooks and websites alone could not provide. On my first trip, I had seen the frustration and disillusionment in people's eyes when we asked them about their lives since the war, and I wanted to go back to find out why they had not seen more improvement in their personal situations and communities. Even basic demographic information on Bosnia is not available via the web, much less opinion polls or economic data. And so, to answer my questions and contribute to Bosnia's reconstruction in some small way, I went back to Bosnia to collect my own data through interviews and surveys that I could not get this side of the Atlantic.

The importance of the questions addressed in this paper must not be underestimated. Since the end of the Cold War and the onslaught of intrastate and ethnically-driven conflicts, news of humanitarian crises makes headlines around the world daily, and governments, international organizations, NGOs and individual citizens are called to respond. This generation's approach to post-conflict reconstruction will be a defining feature of its legacy, not mention the impact it continues to have on victims of such violence. By examining economic reconstruction in Bosnia, we have the opportunity to learn from our successes and our failures in the hopes of improving the effectiveness of our efforts to rebuild another post-conflict society.

So what can we learn from the Bosnian experience and this project in particular? By illuminating a disconnect between what measures of resources, local knowledge, and organizational interests suggest should be the most successful type of institution and what measures of institutional effectiveness actually demonstrate, this project clarified the importance of awareness and education in the economic reconstruction process. Given their high levels of resources and local knowledge and positive organizational interests, local non-government organizations appeared to be poised for effectiveness and success. However, triangulating the results of my interviews with basic economic indicators and the survey demonstrates that international institutions in fact score higher than local non-government and local government organizations on institutional effectiveness. A closer examination of these findings revealed that minimal awareness and a population lacking business skills and entrepreneurial education may be responsible for local non-government organizations' failures, rather than one of the independent variables tested here.

Additionally, coordination is essential for achieving institutional effectiveness; war-torn countries are characterized by chaos and disorganization, but efforts to create sustainable peace

need not adopt a similar approach. Particularly between like-institutions, there has been significant collaboration, and it has produced positive results, like the establishment of the Business Start Up Center. On the other hand, when these relationships do not exist, as seems to be the case between local and state government institutions, efforts on both sides are severely limited. Clearly, coordination among similar types of institutions is an important feature of pursuing effective reconstruction.

The interactions between different types of organizations are also vital relationships in the reconstruction process, and in the Bosnian context, organizations have not capitalized on all potential channels for cooperation. Local non-government organizations have a unique position as gatekeepers to the local community and with extensive local knowledge; as such they ought to be the primary contact for international and local government organizations operating on the ground. International organizations, with the force of international will behind them, can also play an important role in pressuring the Bosnian government to change their organizational interests. This combination of a local focus and positive state-level changes attacks reconstruction from the top and the bottom; to do one without the other limits sustainability and institutional effectiveness. If in the economic reconstruction process, international actors neglect the local government, any changes they make will last only as long as their presence in the country. However, if economic reconstruction only targets actors involved in “high politics”, the local population may become disaffected and refuse to invest in the success of the state, creating an ideal impetus for gray and black market activity. Unfortunately, Bosnia is experiencing both of these scenarios.

Although I have discussed my results in terms of Bosnia as a whole, it is important to recognize the limited applicability of my results. As described in Chapter Three, I conducted my

research to measure institutional effectiveness in two towns in the Federation of Bosnia and Herzegovina. Although I had good reasons for these choices, my results could have been much different had I conducted the interviews and surveys within Republika Srpska. The government structures, economic experience, and political leadership are quite different between the entities, and so I cannot apply specific results to the entire country. Similarly, the Bosnian conflict is unique and has its own nuances that make it distinct from other post-conflict situations in different parts of the world. Particularly with regard to economic development, Bosnia has faced the additional challenge of a post-socialist transition in addition to post-conflict recovery. Also, its geographic placement on Europe's back porch made Bosnia of particular interest to the western world during the conflict, and the possibility of accession into the European Union continues to be a driving force behind economic and political reform. Of course, every conflict is different, and its reconstruction must be tailored to fit those idiosyncrasies.

Even though the specific recommendations made throughout this paper must be qualified in their application to the Federation of Bosnia and Herzegovina, I do believe this research illustrates important principles that affect the economic reconstruction process around the world, namely through the suggested cooperative arrangement that should exist between types of organizations. The relationships described in this project most likely apply to other post-conflict settings, meaning local non government organizations are probably generally good contact points for the others lacking local knowledge, and international organizations still need to engage in bottom-up and top-down reconstruction efforts to achieve sustainability. Although the channels that have already been opened may vary, the need to open the rest still exists.

To continue this line of research, I propose several additional measures of both the independent and the dependent variables. First, to avoid biases that might exist in my interviews,

I would survey employees on their beliefs, experiences, and opinions about their organizations' resources, local knowledge, and organizational interests. In addition, the use of employee focus groups could provide interesting and important insight in the developmental culture of various organizations, which would add layers to the observations I have already made. Secondly, my direct contact with every type of organizations' projects was extremely limited by the duration of my stay in Bosnia; to get a better understanding of how these initiatives are developed, I would like to follow specific projects from development to implementation, and record the role locals play in their construction.

To better grasp local perspectives on reconstruction, I would like the opportunity to refine my survey, both in terms of its content and its distribution. Because of my limited time and funding, my sample was limited to one of convenience, but in order to truly explore these relationships between education, awareness, and institutional effectiveness, I would suggest a more detailed survey with randomly selected participants. For example, as suggested in Chapter Three, I could cluster sample streets in the residential portions of Zenica and Tuzla, and randomly select addresses from those streets, and distribute the survey to adults in the households. A cluster sample of cafes or other highly populated areas may be effective as well.

To truly expand the applicability of my results, this research could be continued on a larger scale within Bosnia or in other post-conflict regions. In the first case, I would like the opportunity to compare the results of this project with similar research in Republika Srpska. The two entities have extremely different government structures and have experienced varying levels of economic success since the war. Contrasting the institutional effectiveness of organizations on the other side of this border may illuminate other trends in the data or cooperative arrangements that could be applied to the other side. In the second case, conducting this research

into other post-conflict societies in different regions of the world could provide insight into how Bosnia's socialist heritage and geographic location have contributed to its reconstruction experience. These comparisons could certainly enrich existing literature on economic reconstruction.

There is hope for Bosnia. The country that was once heralded for its diversity and celebrated for its unique mix of cultures can be restored. A new generation has grown up in post-war Bosnia, and their response to reconstruction will make or break every effort that has been made thus far. The economic reconstruction process is important because it gives people a reason, a tangible reason, to stay committed to Bosnia and to peace, whether that be a new job, or a school that has been rebuilt, or simply the opportunity to create a better life in their home town. Hopefully, this project can contribute to making those dreams a reality.

**Appendix A: Map of Bosnia and Herzegovina**

Taken from CIA World Fact Book



**Appendix B: List of Acronyms**

BSUC	Business Start Up Center, Zenica
BSC	Business Service Center, Zenica
EC	European Commission
EU	European Union
IMF	International Monetary Fund
NERDA	North East Regional Development Agency
OHR	Office of the High Representative
REZ	Regional Economic Zone, Zenica
USAID	United States Agency for International Development

### **Appendix C: Interview Questions**

1. Tell me a little bit about yourself and how you came to work here.
  - a. How long have you worked for the organization?
2. Tell me a little bit about this organization and the work that it does.
  - a. How long has the organization worked in (town)?
3. Describe your role in the organization.
4. Describe the general mission of the organization (ask for literature).
5. Specifically, what are your organization's goals in (town)?
6. What programs does your organization have in place?
  - a. How are these programs designed to meet your goals here?
  - b. How do you select the beneficiaries of (program)?
7. What results have you seen from these projects?
8. How do you know if your programs are successful? What criteria do you use?
9. What are some factors that affect this outcome?
  - a. Any obstacles you have met
  - b. Any thing that has made the projects easier
  - c. Any steps that could be taken to improve the project
10. If you were to pick one issue in this town to focus your efforts on, what would it be and why?

### Appendix D: Survey Questions

Thank you for taking the time to fill out this brief survey. My name is Ashley Kramer and I am a student at the College of William and Mary in the United States. I am here in Bosnia conducting a research project on economic reconstruction, and I am asking for your help today because I am interested in your opinions on economic reconstruction. Your participation is voluntary and I am in no way connected to the United States government or any international organization. Thank you again for your participation.

#### Assessment of Reconstruction

1. Do you know about any efforts by international organizations to reconstruct the economy in your town?  
☐ Yes ☐ No
2. Please list specific organizations and/or describe projects you know about.
  
3. Do you know about any efforts by local non-governmental organizations to reconstruct the economy in your town?  
☐ Yes ☐ No
4. Please list specific organizations and/or describe projects you know about.
  
5. Are you aware of any efforts by the local government to reconstruct the economy in your town?  
☐ Yes ☐ No
6. Please list specific organizations and/or describe any projects you know about.

For each of the statements below, please indicate whether you Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD) by circling the corresponding number.

7. The organization listed below has had a positive effect on the local economy in my town.

	Strongly Agree	Agree	Disagree	Strongly Disagree
International Organizations	1	2	3	4
Local Non-Governmental Organizations	1	2	3	4
Local Government Organizations	1	2	3	4

8. The organization listed below has had a positive effect on my family's financial situation.

	Strongly Agree	Agree	Disagree	Strongly Disagree
International Organizations	1	2	3	4
Local Non-Governmental Organizations	1	2	3	4
Local Government Organizations	1	2	3	4

9. For each area of the economy, indicate which types of organizations have had a positive impact. Circle each number that applies.

Sectors of the Economy	International Organizations	Local Non-governmental Organizations	Local Government Organizations
Employment	1	2	3
Employee Training	1	2	3
Starting New Business	1	2	3
Infrastructure	1	2	3
Foreign Direct Investment	1	2	3
Privatization	1	2	3
Education	1	2	3
None	1	2	3

10. Have you seen overall improvement in the local economy since the end of the war?

☐ Yes ☐ No

11. Have you seen overall improvement in your financial situation since the end of the war?

☐ Yes ☐ No

### Demographic Information

12. Age \_\_\_\_\_

13. Gender ☐ Male ☐ Female

14. Which national groups do you belong to? Select all that apply.

☐ Bosniak

☐ Serb

☐ Croat

☐ Other (Specify) \_\_\_\_\_

15. Marital Status:
- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Single  | <input type="checkbox"/> Divorced/ Widowed     |
| <input type="checkbox"/> Married | <input type="checkbox"/> Other (Specify) _____ |
16. How many people live in your personal dwelling? \_\_\_\_\_
17. Level of Education:
- |  |  |
|--|--|
| <input type="checkbox"/> High School       | <input type="checkbox"/> University            |
| <input type="checkbox"/> Vocational School | <input type="checkbox"/> Other (Specify) _____ |
18. Type of Employment:
- |   |   |
|---|---|
| <input type="checkbox"/> Industry             | <input type="checkbox"/> Part Time/ Temporary   |
| <input type="checkbox"/> Government           | <input type="checkbox"/> Homemaker              |
| <input type="checkbox"/> Service              | <input type="checkbox"/> Unemployed             |
| <input type="checkbox"/> Own your own company | <input type="checkbox"/> Other (Indicate) _____ |
19. Main source of household income is/are:
- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Myself    | <input type="checkbox"/> My son                |
| <input type="checkbox"/> My spouse | <input type="checkbox"/> My daughter           |
| <input type="checkbox"/> My father | <input type="checkbox"/> Other (Specify) _____ |
| <input type="checkbox"/> My mother |  |
20. What is their type of employment?
- |  |  |
|--|--|
| <input type="checkbox"/> Industry              | <input type="checkbox"/> Part Time/ Temporary  |
| <input type="checkbox"/> Government            | <input type="checkbox"/> Education             |
| <input type="checkbox"/> Service               | <input type="checkbox"/> Health Services       |
| <input type="checkbox"/> Own their own company | <input type="checkbox"/> Other (Specify) _____ |
21. For the most part, where did you live between 1991 and 1995?
- |  |  |
|--|--|
| <input type="checkbox"/> Remained in this town | <input type="checkbox"/> Refugee within former Yugoslavia  |
| <input type="checkbox"/> Displaced within BiH  | <input type="checkbox"/> Refugee outside former Yugoslavia |

## Appendix E: Bibliography

Ahmetspahic, Naidin. Personal Interview. 6 July 2007.

Alispahic, Salih. E-mail to the author. 14 Feb. 2007.

Alispahic, Salih. Personal Interview. 4 July 2007.

Bhatia, Michael. "Postconflict Profit: The Political Economic of Intervention." Global Governance 11 (2005): 205-224.

Brown, Keith. "The New Ugly Americans? Making Sense of Democracy Promotion in the Former Yugoslavia." Transacting Transition: The Micropolitics of Democracy Assistance in the Former Yugoslavia. Ed. Keith Brown. Bloomfield, CT: Kumarian Press (2006): 1-22.

BSC: Biznis Servis Centar Zenicko Dobojski Kanton. 13 March 2007.

<<http://www.zdk.ba/BSCPHP/index.php>>.

BSC Zenica. 15 March 2007. <<http://en.bszenica.org>>.

Candic, Miralem. E-mail to the author. 26 Feb. 2008.

Candic, Miralem. Personal Interview. 9 July 2007.

Caplan, Richard. International Governance of War-Torn Territories: Rule and Reconstruction. New York: Oxford University Press, 2005.

Central Intelligence Agency World Factbook: Bosnia and Herzegovnia. 7 April 2008.

<<https://www.cia.gov/library/publications/the-world-factbook/geos/bk.html>>.

The Chamber of Economy Tuzla Canton. 15 March 2007.

<<http://www.kpktz.ba/english/index.htm>>.

Cohen, Craig. "Measuring Progress in Stabilization and Reconstruction." Stabilization and Reconstruction Series No. 1 (March 2006).

- Cousens, Elizabeth M. "From Missed Opportunities to Overcompensation: Implementing the Dayton Agreement on Bosnia." Ending Civil Wars: The Implementation of Peace Agreements. Ed. Stephan John Stedman, Donald Rothchild, and Elizabeth M. Cousens. Boulder: Lynne Rienner Publishers (2002):531-566.
- David, Charles-Philippe. "Alice in Wonderland Meets Frankenstein: Constructivism, Realism and Peacebuilding in Bosnia." Contemporary Security Policy 22.1 (April 2001): 1-30.
- Donais, Timothy. The Political Economy of Peacebuilding in Post-Dayton Bosnia. New York: Routledge, 2005.
- Downs, George and Stephan John Stedman. "Evaluation Issues in Peace Implementation." Ending Civil Wars: The Implementation of Peace Agreements. Ed. Stephan John Stedman, Donald Rothchild, and Elizabeth M. Cousens. Boulder: Lynne Rienner Publishers (2002): 43-69.
- European Stability Initiative. "The Need for Economic Development and Democratic Planning." Peacebuilding and Civil Society in Bosnia-Herzegovnia. Ed. Martha Fischer. New Brunswick: Transaction Publishers (2006): 69-105.
- Grodeland, Ase Berit. "Public Perceptions of non-governmental organizations in Serbia, Bosnia & Herzegovnia and Macedonia." Communist and Post-Communist Studies 39 (2006): 221-246
- Karnes, Margaret P. and Karen A. Mingst. International Organizations: The Politics and Processes of Global Governance. Boulder: Lynne Rienner Publishers, 2004.
- Malicbegovic, Amela. E-mail to the author. 28 Feb. 2008.
- Malicbegovic, Amela. Personal Interview. 6 July 2007.
- Mendelson-Forman, Johanna and Merriam Mashatt. "Employment Generation and Economic

Development in Stabilization and Reconstruction Operations.” Stabilization and Reconstruction Series No. 6 (March 2007).

Merritt, Jeff S. “Quick Impact, Slow Recovery? Funders’ Priorities and the Local Realities of Transition Programming.” Transacting Transition: The Micropolitics of Democracy Assistance in the Former Yugoslavia. Ed. Keith Brown. Bloomfield, CT: Kumarian Press (2006): 23-44.

Meskic, Mirza. Personal Interview. 6 July 2007.

NERDA: Northeast Regional Development Agency. 13 March 2008.

<<http://www.nerda.ba/indexe.php>>.

OHR: Office of the High Representative and EU Special Representative. 7 March 2008

<<http://www.ohr.int>>.

Pribitzer, Herbert. Personal Interview. 26 June 2007.

“Post-Conflict Reconstruction: Task Framework.” U.S. Army and Center for Strategic and International Studies (May 2002).

REZ: Regional Development Agency for Central BiH Region. 9 March 2007.

<<http://www.rez.ba/en>>.

Rogel, Carole. The Breakup of Yugoslavia and Its Aftermath. Westport, CT: Greenwood Press, 2004.

Samarah, Sunita. E-mail to the author. 5 March 2008.

Stajkovic, Slavisa. E-mail to the author. 27 Feb. 2008.

Stajkovic, Slavisa. Personal Interview. 10 July 2007.

Tinjcic, Goran. E-mail to the author. 25 Feb. 2007.

Tinjcic, Goran. Personal Interview. 27 June 2007.



Vannett, Kasey. E-mail to the author. 29 Feb. 2008.

Vannett, Kasey. Personal Interview. 27 June 2007.

Wallensteen, Peter. Understanding Conflict Resolution. London: SAGE Publications, 2007.

“Why Will No One Invest in Bosnia and Herzegovnia?” International Crisis Group Report 64  
(April 1999): 1-20.

Woodward, Susan. “Economic Priorities for Successful Peace Implementation.” Ending Civil Wars: The Implementation of Peace Agreements. Ed. Stephan John Stedman, Donald Rothchild, and Elizabeth M. Cousens. Boulder: Lynne Rienner Publishers (2002):183-214.

The World Bank: Bosnia and Herzegovnia. 14 March 2008. <<http://www.worldbank.org/ba>>.

Zaum, Dominik. “Economic Reform and the Transformation of the Payment Bureaux.” International Peacekeeping 12.3 (Autumn 2005): 350-363.