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**DECENTRALISATION IN KOSOVO: CHALLENGES OF  
REFORMING THE LOCAL LEVEL**

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## Decentralisation in Kosovo: challenges of reforming the local level

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### Abstract

Studies of external democracy assistance and the promotion of good governance have tended to focus primarily on the transformation of central government institutions and the interaction between state and non-state actors at this level. Although local institutions, organisations and contexts are not ignored as such, the emergence of multi-level governance is implicitly predicted to occur at a later stage, once reforms have been established at the core. As this paper demonstrates, local governance reform arguably constitutes a much greater challenge. In its assessment of new modes of governance in Kosovo, this paper adopts a local perspective to examine the trajectory of reform and investigate whether, and the extent to which a shift is occurring towards multi-level governance. It is argued that in a post-conflict environment, a shift towards a less-hierarchical mode of governance at the local level is the critical measure of substantive reform and wider participation in local governance and donor interventions at local level. Drawing on primary research into the effectiveness of externally-led projects designed to open up decision-making processes and strengthen relations between state and non-state actors, the paper maps actor involvement in local government reform and identifies the various constraints on this critical dimension of democracy promotion. The study concludes that contextual challenges including institutional legacy and ethnic division as well as internal flaws of external initiatives diminish the impact on driving change at the local level.

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## Introduction

Despite the enormous resources invested by international agencies in reforming local governance in Kosovo, the latter shows no signs of significant improvement towards efficient services, inclusive decision-making processes and functioning intergovernmental relations. For the last 13 years, the international community has invested a vast amount of resources in Kosovo to establish and support its institutions, with the European Union devoting the largest per capita donations in its history of external engagement in democracy promotion. Yet, despite the resources being invested in the country, local government reform has shown limited success. Strengthening state structures, developing a new political culture and opening up the decision-making process continues to be a daunting practice for all international agencies involved in the country. After series of reform policies, this raises the question to what extent a shift towards multilevel governance has occurred at the local level, if at all? What types of obstacles limit international initiatives in exerting a transformative impact on the ground and are they a matter of substance or rather contextual factors? This study will address all these questions by taking a 'local perspective' and looking at evidence from two concrete case studies at the local level.

Taking a local governance lens helps us identify drivers of reforms and understand the challenges of instigating change and opening up the decision-making process where it matters the most, closest to citizen. It provides a snapshot of the broader governance picture and allows us to look at drivers of change. Local administration, public services, local elections, public discussions and representation in local assemblies are crucial for citizen to rebuild relations with the state. In order for the state to legitimize itself and re-establish a link with citizen, reforms must be implemented at the local level to facilitate a return of state authority. During the statebuilding phase, when domestic sovereignty is still challenged, on ethnic or political grounds, or simply on lack of capacity to serve the public, the state risks losing its power to regulate and enable a functioning multilevel governance. In addition communication with non-state actors survives through informal channels rather than established governance structures and mechanisms of coordination and decision-making. These conditions weaken the central government's role in regulating, guiding and incentivizing local stakeholders to advance local governance.

Considering these significant statehood limitations to ensure services and advance socio-economic conditions, the international community is able to exert more power and cast its own 'shadow of

hierarchy' (Börzel, 2010) substituting for weak central government. Whilst policy influence on choices of decentralization is exerted through working with central government institutions, another straightforward path for external agencies is to establish partnerships at the ground level. In working directly with local authorities, external agencies get 'the easy way' and possibly reinforce centralized mechanisms of decision-making within local government structures thereby strengthening the power of local elites. Confident on donor projects supporting their status; political elites utilize the status quo and the term 'local ownership' takes on a dangerous connotation contrary to its conventional use. This type of concentration of economic and political power, and significant disconnection from the weak central government facilitates local capture of power.

Following Kosovo's Declaration of Independence, despite the powerful backing of decentralisation policies by the international community, local governance remains weak. The central government dependency on financial and technical assistance of international agencies diminished its power and authority to drive change towards new governance at the local level. Local administrations are weak, dependent on central government financing and often confused over the ever changing legal framework and its impact on their responsibilities and competencies. The difficult challenge remains to reconfigure the state's role at all levels of governing and to establish improved links between the centre and local levels as well as between citizen and state institutions.

The first section of the paper brings together literature on local governance and statebuilding setting out key elements and analysing their relevance to post-conflict societies. The second section focuses on key dimensions of local governance in Kosovo and lays out the trajectory of reform in the last decade. A separate subsection gives particular attention to the North of Kosovo and the failure of local government reforms in this politically contentious area. This is followed by an outline of the variety of institutions involved in promoting decentralisation, which provides a clear picture of the complexities on the ground. The last section presents two case studies of external initiatives by the biggest donors involved in local government reform. Semi-structured interviews with donor agencies and representatives of the international community in Kosovo (including UN Mission in Kosovo, OSCE and International Civilian Office) provide insight on the trajectory of reform in Kosovo and their role in pushing forward certain strategies for decentralisation. Finally, some policy recommendations for establishing wider local participation and ownership over donor interventions at local level are presented.

## **Building local governance in a post-conflict context**

In a post-conflict environment, agencies involved in promoting reform, assign normative values to their strategies. Concepts such as democratic governance are enshrined within the broad objectives of governance reform, inevitably shaping a certain understanding of the policy. Actors involved annotate positive or negative attributes to the concept of governance altering its neutral nature. Hence, good governance principles become part of the policy narratives and discourses of international agencies. International agencies and their democracy promotion programs tend to lean towards these normative Western conceptualisations assuming ‘the modern Western nation-state is the model for ‘good governance’’ (Risse, 2012). In recent years however, more scholars caution on the limitations of a loose (good) governance model, considering that the governance discourse is based on developed, democratic and modern nation-states. Governance must be explored in the context of developing and transition states as well, where there are areas of limited statehood (Risse & Lehmkuhl, 2006). In fully functioning states, the government, or the general state apparatus has the ability to enforce political decisions and thereby conduct hierarchical steering. Yet most developing and transition states contain territorial or policy ‘areas’ in which the state authority is limited or state political or administrative capacities are deficient in providing services (Risse 2012). In these areas of limited statehood, values and objectives of international initiatives are difficult to translate on the ground where ‘other’ modes of governance persist. The domestic conditions, primarily weak state capacities, permit a substitution of institutionalised modes of coordination, decision-making and service provision by externally offered models of governance (Risse 2012; Börzel and Risse 2010).

In a post-conflict environment, as institutional structures and modes of coordination between various actors are (re)established or (re)designed, the significance of each institution and layer of authority becomes extremely important. During this process, the role of the local is paramount to opening up processes of decision-making and service provision and establishing ‘new’ modes of governance. In order to secure a shift from local government to local governance, the latter must be integrated into a broader network of multilevel governance thereby requiring further shifts of change in hierarchical coordination between layers of institutions. It is vital to recognize that this shift does not diminish the role of the state. Thus, promotion of new governance, local or national, is inconceivable without a clear role of government (Börzel 2010). The notion ‘bringing the state back in’ (Evans, Rueschemeyer,

& Skocpol, 1985) can be applied to the local level as local authorities may strengthen their position through multi-level governance and regulated interactions with other state and non-state actors. As Charles Tilly writes, “no democracy can work if the state lacks the capacity to supervise democratic decision-making and put its results into practice” (Tilly 2007, 15).

Local government reform policies often include decentralisation or some form of devolution of power from the central level to the local governments. Decentralisation can provide varying degrees of services and benefits appropriate for and based on local constituent preferences (Hooghe & Marks, 2003). Securing local self-government serves also as a mechanism for accommodating ethnic group rights and facilitating inclusion of minority communities in the decision-making process. Establishing central government institutions, which are legitimate in the eyes of the citizen, is a crucial factor in statebuilding yet democratic local governance within the reach of the population, is also of great relevance in post conflict reconstruction (Hohe, 2002). Self-governing and decentralized structures are critical to restore the presence of the state, to ensure stability, demilitarize politics in divided societies and increase interethnic cooperation (Lister and Wilder 2005). Local government is the first body of public authority the citizen turns to for solving their immediate social problems. It is ‘the level of democracy in which the citizen has the most effective opportunity to actively and directly participate in decisions made for all the society’ (Sisk 2001, 15).

Literature on public choice and political economy addresses a common presumption that the lower the level of government, the greater is the extent of capture by vested interests (Bardhan & Mookherjee, 2000). In a post-conflict statebuilding context the challenge of this setting is the limited state apparatus resources and legitimacy, thus serious deficiency in its sovereignty to control and exercise its authority in implementing political decisions (Risse & Lehmkuhl, 2006). Other scholars assert that whilst donors remain influential in setting the agenda mainly ‘by virtue of their money’ (Hyden, 2007), when it comes to implementation, domestic agencies dominate and are able to alter the course of policies depending on their political interests. An array of statebuilding literature concurs to state authorities remaining key partners for the international community considering the former’s potential to push forward or halt reforms (Bliesemann de Guevara, 2010; Chesterman, 2004; Hohe, 2002; Sisk, 2007; Tansey, 2009). Other studies seem to tolerate, to the point of legitimizing reforms that may augment bureaucratic capacities separate from state institutions. This may occur as a side effect of avoiding to create resilient state structures, which may abuse of political power at the

local level. This ‘hollowing out’ view of the state enables an unsustainable model of governance in which the role of the state is, at best, not clearly defined and at worst ignored.

Supporting local governance by opening up local decision-making to non-state actors in fact improves the capacity of the state to exercise its sovereignty. Studies of municipal performance in South East Europe confirm that municipal efficacy grows with the increasing involvement of social and economic actors in the policy-making process (Petrova, 2011). A critical assumption found in this literature is that of an existing trickle-down effect by which concentrated efforts at strengthening central government institutions will eventually strengthen local structures (Manning, 2003).

Dominant theoretical and empirical studies on Kosovo’s statebuilding process place insufficient emphasis on the imperative of sorting out local government politics (Narten, 2008; Narten & Zuercher, 2009; Tansey, 2009). Within statebuilding literature, a limited group of studies address the local level developments from different perspectives. Scholars have looked at service delivery and its contribution to building democratic institutions (Jackson & Scott, 2007; Van de Walle & Scott, 2009) and power sharing arrangements and ethnic representation mechanisms of managing ethnically divided societies (Bieber, 2004, 2010; Monteux, 2006; Woodward, 2002). Only recently has comparative analysis of post-conflict countries drawn attention to the local level, as in Carrie Manning’s study of local challenges in implementing peace agreements during the 1990s and the need for broad inclusion of stakeholders throughout government tiers when negotiating sustainable political arrangements (Manning, 2003). Other studies by Paula Pickering (2007, 2010) bring attention to the impact of local government reforms on communities and highlight citizen evaluations of these reforms. The case of Kosovo is especially intriguing considering its limited statehood and the extensive involvement of international donors in attempts to enable a shift towards multi-level governance.

### **Local governance in Kosovo**

Local government in Kosovo remains underdeveloped, weak and dysfunctional. Own source revenues are low and local administrations fail to deliver all services required by law. Kosovo is a prime example of the complex political environment and its impact on the policies for reform. High involvement of international agencies and rapid changes in the political arena allow for a vibrant picture of a variety of actors, interests and negotiations. Conflicting messages regarding local

government reform occurred during the first post-war decade as the political environment remained volatile. Kosovo's political status determined when reforms got on the political agenda and how decentralisation was addressed. Recent political shifts, including the Declaration of Independence and the constitutional backing of broad decentralisation and minority protection have brought about increased attention to the local level.

Formal structures of local administration in Kosovo are inherited from the Socialist Federal Republic of Yugoslavia where local authorities exercised formal municipal functions as an extended arm of national government control (Ebel and Péteri 2007). Institutional legacy has been continuously identified by both domestic and international agencies as a challenge in state administration. Centralized hierarchy and weak civic engagement with authorities prevailed for many decades, later inhibiting reestablishment of citizen-state links after 1999. Sub-municipal units called local communities (*bashkesia lokale/mesna zajednica*), a semi-formal scheme of organization, may have largely influenced a distant relationship with the state.<sup>1</sup> The decades long culture of parallel institutions, 'a rejuvenation of a Kosovar tradition of local governance and self-management' (Kostovicova 2005), further contributed to local governance functioning outside of central state hierarchy and guidance.

Following the set up of broad international presence in Kosovo in 1999, local government has been subject to a range of reform strategies over the years with several overlapping and others even contradicting each other. The selection and refinement of a local government model has been often unfathomable and abrupt, as the process of reforms is not based on a blueprint of an existing Western model (Ebel and Péteri 2007). The UN Mission in Kosovo (UNMIK) abolished former Yugoslav structures and re-established municipal authorities with a European-based legal framework. Yet, concrete steps to decentralise authority, including fiscal decentralisation, transfer of public property and reform of public services did not materialize (Hajnal & Péteri, 2010). Despite initial *de jure* devolution of rights to local authorities, several competences were recentralized soon after by the UNMIK administration.

A significant factor in developments of local politics was the establishment of local provisional institutions through the appointment of the strongest political parties in a non-legitimate process. This occurred until the first elections took place. Choosing local 'partners' was under the discretion of

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<sup>1</sup> This structure operated under the legal framework of the Federation until the abolition of Kosovo's autonomy in 1989

international staff (Interview OSCE 2011). Confusion over municipal competences and clashes over political and economic power between old and new elites contributed to a charged political environment at the local level and damaged accountability.<sup>2</sup> The election boycott of the Serbian community further diminished the potential of the central government to implement local government reforms (UNSC 2004, par. 39).<sup>3</sup> Regulations on local competences and intergovernmental relations changed frequently making an exploration of the legislation and policies a challenge. Local government reform, addressed in 2003/2004 with the Standards for Kosovo policy, aimed to introduce local governments to benchmarks of good governance through measures of democratic institutions, rule of law, local development and integration of minorities. The following Framework for the Reform of Local Self-Government in 2005 did not result in diminishing the disparity between central and local interests and local governments were largely evaluated to fail in achieving standards of good governance. The Framework was the closest to a domestically owned process as any of the reform policies in Kosovo as it had a broad range of actors in the drafting process. Yet, it had no significant impact in strengthening the role of local authorities by entrusting more political power or fiscal authority in managing local affairs as decisions continued to be made at the central level.

One of the principal advancements towards democratic local governance was Regulation No. 2007/27 On Municipal Elections enabling the direct election of Mayors in municipalities. This enabled measures to strengthen accountability at the local level and breach the embedded political allegiances of political parties who controlled local institutions. Whilst the introduction of direct election of Mayors was unanimously welcomed, local leaders perceived the parallel introduction of a unified municipal structure through the new set of policies as a breach of municipal autonomy in decision-making. Annex III on Decentralisation, of the Ahtisaari Comprehensive Status Proposal ensured a 'final' push for political, administrative and fiscal decentralisation. The significance of the new legal framework adopted in 2008 and the elements of power devolution were undermined by the political clashes between Albanians and Serbs and became more apparent to municipalities only recently as municipalities began to fully operationalise their aspirations of more competences. Additional municipal competences include a slightly higher autonomy in using municipal budgets, collection of taxes and enhanced rights for inter-municipal cooperation. Nevertheless, fiscal decentralisation is yet to be adopted in practice as municipalities continue to be deprived of full

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<sup>2</sup> Turnout in local elections dropped from 79 % in 2000 to 53.9% in the 2002 elections.

<sup>3</sup> Challenges posed by the refusal of Serbian community to participate in Kosovo's local institutions are a separate component of the broader research project and are beyond the scope of this study.

financial support for enhanced competences they obtained through decentralisation. Weak collection of taxes has maintained a strong motive for central government to withhold releasing full fiscal authority to local decision-makers.

## **The 'Northern' Issue**

One of the dominant issues challenging decentralisation reforms concerns the ethnic factor in Kosovo which 'tainted' any attempts to promote a solely administrative understanding of the reforms. Municipalities north of the Ibër/Ibar river remain out of reach for Kosovo legal and security authorities and refused to participate in the initial UNMIK reforms of 2002, the Pilot Municipal Units policy of 2005 and the subsequent Ahtisaari proposal for highly decentralised units for Serb majority municipalities. North Kosovo suffers from a lack of rule of law with violent repercussions against international or Kosovo led initiatives to impose rule and order in that part. Kosovo Serbs living south of Ibër/Ibar river in Mitrovica, are scattered in different municipalities and have surpassed the big ethnic divide in recent years. The Serbian community<sup>4</sup> and the Serb political parties, under significant pressure from Belgrade, in the North have so far resisted integrating with Kosovo institutions. Although funds flowing from Serbia to Kosovo parallel structures have decreased significantly after the international financial crisis of 2008, the Serbian government funds healthcare, education services in a number of Serb majority areas (Hajnal & Péteri, 2010; OSCE, 2008). After Kosovo's declaration of independence in 2008, the Serbian government doubled its efforts to influence the Serbian community in Kosovo allocating 500 million EUR to parallel structures in Kosovo. After Serbia's 2008 parliamentary and local elections, Kosovo Serb leaders in the North began setting up their own local institutions, including a parliament. Serbia committed about 42 million Euros for parallel structures in Kosovo a day after submitting the application for EU Membership in December 2009 (KIPRED 2009).

Throughout the 10 years of its legal control, UNMIK influence over the Serbian community was marginal especially in the North. The initial reform policies aiming at including Serb citizen in new municipalities disappointed. As subsequent decentralisation efforts were undertaken throughout Kosovo, regardless if successful or not, the Serbian dominated municipalities remained isolated from these attempts. Serbs boycotted Kosovo elections and resigned from government functions although

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<sup>4</sup> Contrary to common perception, the majority of Kosovo Serbs live outside the three municipalities in north of Kosovo where around 30 % of the mainly Serbian community lives.

some returned to cooperate with Prishtina later. Political developments in 2010 brought about a “Strategy for the North of Kosovo” by the International Civilian Office in Kosovo aimed at opening a Kosovo government office in an ethnically mixed neighbourhood in the north, the closure of the UNMIK presence in the north, and many other initiatives with the goal of integrating the north and marginalizing Serbian parallel institutions (Woehrel 2010).<sup>5</sup> Serbia and local Serb leaders strongly rejected the plan which lacked broad international support from EU headquarters and the International Steering Group (KIPRED 2012). Kosovo institutions held local elections in November and December 2009, including most of the Serbian majority municipalities foreseen in the Ahtisaari plan. In some areas south of the Ibar river, significant numbers of Kosovo Serbs participated.

Considering all the aforementioned issues, establishment of new municipalities proved challenging for the Kosovo Ministry of Local Government Administration (MLGA) and ICO. The MLGA met with Serbian community members to assess their readiness for participation in the Municipal Preparation Teams and help establish new municipal structures with very little success. South of the Ibar River, MLGA and ICO succeeded in getting cooperation from local Serbs and by 2010 established initial structures of new municipalities as prescribed by the Ahtisaari proposal and the new Law on Local Self-Government. The appointment of municipal leadership in these municipalities led to a total of 5 Kosovo mayors belonging to the Serb community. The 2009 local elections saw a greater participation from the Serb community which elected their own mayors or approved coalitions established between Kosovo Serb political parties and Albanian ones. Kosovo-Serbs are represented with 33 seats in five municipalities. Kosovo Serb political party Independent Liberal Party (SLS) has eight seats in Shtërpçë/Štrpce municipality, 12 in Graçanica/Gračanica and 10 in Kllokot and also two ministers in Kosovo’s government (one serving as Deputy Prime Minister for Communities). The Serbian Party of Kosova and Metohija (SKMS) and Serbian Democratic Party of Kosova and Metohija (SDSKiM) each have one seat in the Graçanica/Gračanica municipal assembly and the Serbian Citizen Association won the local elections in Ranillug (IKS 2011, 69).<sup>6</sup>

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<sup>5</sup> The European Union quickly distanced itself from the strategy, despite the fact that the ICO representative is also EU Special Representative in Kosovo.

<sup>6</sup> This research was completed before the local elections held in November 2013 with the Serb community in four Northern municipalities participating for the first time since the Declaration of Independence.

## **The institutions behind decentralisation**

International agencies in Kosovo engage in promoting decentralisation in a flexible and unsystematic manner. They focused more on ‘the manageability and efficient control’ rather than real empowerment of local government units (Hajnal & Péteri, 2010). There are considerable political payoffs to undertaking governance reforms with stakeholders oriented towards ‘tangible benefits in the short term’ (Grindle 2004, 18). Initiatives focusing on ‘improved garbage collection and security in public markets are high visibility changes that can build citizen trust that government services are getting better’ (2004, 18). Nevertheless, the international agencies have approached activities of assisting socio-economic development and institutional capacity building through a central government spotlight; pressing for local government issues mostly for political stability reasons (EC 2005). Using the core executive as a source of government, for a decade many initiatives concentrated at the central level.

Within the international community where a ‘European’ and ‘American’ approach is not openly declared, different approaches with several distinctions may still be drawn out. Both European and American agencies funding local governance initiatives entail democratic principles at the core foundations of their understanding of governance. Utilizing it as a further qualification of the term, ‘local governance is linked to democratic values such as rule of law, separation of powers, representation, checks and balances and respect of human rights and fundamental freedoms’ (Binder, Slits, Stoquart, Mullen, & Schubert, 2008). In addition, USAID defines democratic local governance as ‘inclusive governing’ emphasizing democratic interactions between community members and local authorities. The EU, on the other side, with a strong focus on development, defines local governance as follows:

...a process of decision making on matters of local/municipal development and the implementation and management of development plans and the provision of basic services through allocation of available resources in order to achieve agreed development goals and targets (Binder et al., 2008).

In external democracy promotion, the European Commission approach to local government reform and decentralisation varies from place to place corresponding to different levels of experience and evolution, in addition to the willingness and commitment of countries to decentralize (Binder et al., 2008). European Commission documents focus on local governance building on the principle that

local matters are a responsibility of local councils or stakeholders at the local level. On the other hand, USAID documents on local governance emphasize improved local conditions for governing and for citizen satisfaction. They define local governance as ‘more effective governing, increased trust in government, improved services, more robust local economic development, and greater involvement of citizens in civic affairs. The existence of the European Charter on Local Self-Government is another distinction with the ‘American’ approach as it is commonly used by European Commission projects as a guideline.

In the Western Balkans realm, the EU strategy in member statebuilding is clearly recognisable considering the promotion of European models and values of local governance including the concept of regionalisation discussed later on the paper. The European Office in Kosovo in particular, focuses on *acquis* related issues and considering that ‘decentralisation is not related to *acquis*, the European Union office does not take an official stance on it’ (EUOK interview 2012). The EU strategy is to work with streams separating work and establishing partnerships directly with municipalities in addition to collaboration with central government ministries. At the central level, the focus is on ‘changing policies which are hindering better services and implementation of good practices’ (EUOK interview 2012). In addition to being critical of USAID for steering away from general decentralisation political processes by concentrating on small technical areas such as waste and water management, EU officials face a general ‘passivity’ of domestic stakeholders stating:

...when it comes to EU, local and central governments will accept anything but EUOK does not know what is best for Kosovo. There is a lack of a strong counterpart for our work with regards to guiding donors and their funds where the government needs them most (EUOK interview 2012).

In the annual European Commission (EC) Progress Reports on Kosovo, local governance does not receive much deliberation and is mentioned superfluously, despite the exhaustive nature of the reports after Declaration of Independence in 2008. The main challenges identified on local governance include weak local administrations and lack of cooperation between local and central level institutions, limited inclusion of minority communities, Serb parallel structures obstructing decentralisation and civil service vulnerable to political interference, corrupt practices and nepotism. Capacities to exercise local competencies and involve civil society organizations in decision-making remain obstacles after 2008. EC reports are critical of the government for lacking a strategic approach for interaction with civil society (European Commission 2008). To help identify its targeting of local

governance, the table below presents a detailed look into EU financial assistance. As can be observed, local government reform and decentralisation appear as crosscutting issues instead of a major policy focus. The data shows an increase in financial assistance after the declaration of Independence in 2008 to its highest amount since 2003. Allocation of € 14 million to local infrastructure shows support for the establishment of new municipalities and implementation of the new decentralisation framework.

**Table 1. European Commission financial assistance (numbers in € million)**

Yr.	Total EC assistance	Capacity building	Public Admin Reform (PA)	Regional development	LG & decentralisation	Media & civil society	Notes <sup>7</sup>
2003	49	-	5	-	1	1	Funds under LG designated for AKM
2004	75.4	15	7	-		1	-
2005	54	19.6	11	6	-	1	PA funds include support for AKM
2006	-	-	8	-	-	0.5	PA funds include strengthening of LG
2007	68.3	-	5	-	12.4		LG funds incl. 4.4 for institution building & 8 for infrastructure
2008	184.7	-	4	6.60	14	2.5	LG funds for municipal infrastructure
2009	106.1	-	-	7.8	6.5	4	LG funds for strengthening institutional capacity
2010	67.3	2	5.5	-	-	-	EC assistance significantly decreases.
2011	68.7	65.83	20.35	-	-	-	PA funds for 3 years

Source: Author from EC Annual Programmes and Multi-Annual Programming Documents (MIPDs).

Another international agency working parallel with central and local governments is the OSCE Mission in Kosovo. For a decade, its Local Governance Programme provided training and capacity building for local authorities and facilitated cooperation with civil society organizations (Baskin 2004). The OSCE remains a hub of information concerning local governance yet its presence on the ground as well as engagement to continue reforms has decreased since 2008.

<sup>7</sup> Assistance to the Association of Kosovo Municipalities reappears frequently as a channel for supporting local governance structures and strengthening the representation of local interests through this unified mechanism.

On the domestic institutional front, the establishment of a Ministry for Local Government Administration (MLGA) in late 2004, after two local elections already took place, demonstrates the bleak vision of central government in guiding local governance. Unfortunately, its existence did not prove significantly valuable to reforms. Since its establishment, the MLGA has acted as an administrative hub for the implementation of local governance reform policies. Rather than initiating reform policies itself, most strategies were drafted in accordance with international donor initiatives providing assistance. Despite its self-perceived role as a leader in strengthening local institutional capacities (Maxhuni, Ukimeraj, Vasolli, Ujkani, & Osmani, 2009), weak capacity of central government to supervise local authorities, as well as 'contrasting interpretations of legislation on self-government', often block cooperation between central and local authorities (European Commission 2010, 8). The MLGA potential to strengthen intergovernmental relations was not fully utilized and especially damaged through the exclusion of municipalities in the drafting process of new legislation. The formal monthly meetings of the Minister with all Mayors have not improved relations between municipalities and central government.

A key institution, which provides an ideal platform for communication for municipal administrations, is the Association of Kosovo Municipalities (AKM). Despite its long existence and broad membership, AKM was often marred by criticism of municipal delegates and international partners arguing that its lack of interest in advocating for local interests has weakened its role and made it a superficial actor (ICO interview 2011). The AKM has considerable potential to advocate for the interests of municipalities as well as acquire central government attention to issues pertaining to local governance yet this potential is not fully utilized.

## **Case studies**

To critically assess the effectiveness of externally-led projects designed to strengthen local governance by opening up decision-making process and strengthen relations between state and non-state acts, two case studies are examined below. Utilizing primary research data, the analysis provides an in-depth look at the initiatives of EU and USAID analyzing their objectives, trajectory of implementation, relations with central and local actors and identifying various constraints to their effectiveness. Factors addressed below include integral flaws of international initiatives as well as the contextual complexities inhibiting change towards new modes of governance at the local level. The

cases illustrate the limits of international engagement in promoting bridges between state and non-state actors from a bottom-up perspective.

Both the EU and the USAID projects identified local governance as a fundamental part of their strategies of supporting Kosovo socio-political transformations after the Declaration of Independence. Their mandates stress the importance of the local level in strengthening democratic institutions and ensuring links between government authorities and citizen. Whilst the USAID projects builds on previous work at the local level, the EU funded project is new. New mechanisms of coordination and decision-making are thus formalized through secondary legislation or formal decrees of municipal Mayors. On the other hand, intergovernmental linkages between central government institutions and local administrations are not given adequate attention. Considering the weak central state, this further reinforces the gap between government tiers, ignoring the significance of central government authority for 'pushing' a local government tier into effective governance.

### **EU Regional Economic Development – EURED**

The European Commission project for Regional Economic Development (EURED), a € 12.4 mil initiative, aims at promoting a new approach to development by supporting regional cooperation of municipalities and preparing Kosovo institutions for absorption of future EU regional development funds. Although regions are not a constitutional entity in Kosovo,<sup>8</sup> the EURED approach to local governance is entirely dependent on it's regional focus. EURED established Regional Development Agencies (RDAs) across five regions to instigate and coordinate economic cooperation between municipalities and private agencies and provide support for the local counterparts as they prepare funding applications. In a rather unconventional understanding of 'local ownership', EURED officials asses that the idea of establishing RDAs generated as a top-down approach, however, as priorities were revised, local actors 'turned it into a bottom-up approach' (Interview 2011). This important component of the initiative is thus a result of external ideas produced in Prishtina and elsewhere. The RDAs, promoted as inter-municipal institutions, are in fact registered in the host municipality as Non-Governmental Organizations. The status of NGOs for these agencies is a controversial factor considering that signatory authority of signing Inter-Municipal Cooperation Agreements is the

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<sup>8</sup> Under Yugoslavia, Kosovo had 29 municipalities throughout five recognized regions: Prishtina/Pristina; Peja/Peć; Gjilan/Gnjilane; Zubin Potok/Žubin Potok; Novo Bërda/Novo Brdo and Shtërpca/Štrpce.

respective Mayor. Furthermore, mayors of participating municipalities in each region also serve as Board Members of the respective RDAs. This key aspect of EURED is at the same time its most perplexing point. The regional structures are temporary due to the lack of legal backing for regional operations. Cooperation is thus based on inter-municipal agreements signed between each of the municipalities to stimulate economic growth and develop capacities to absorb future international funds including EU pre-accession (IPA) funds (EURED 2010).

The aforementioned gaps do not completely undermine the novelties of the project. First, the focus on development is notable. The lack of a national strategy on development, at the time of EURED initiation, signifies Kosovo's dire policy environment for which EURED attention to development policies is particularly beneficial. Through the additional Socio-Economic Audit Forum, local stakeholders drafted the Regional Economic Development Strategy and Implementation Plans. RDA's statement "It was 8 months of work for what usually takes 3 years" emphasises the approach centred on 'getting things done' (RDA South interview, July 2011). Second, the initiative contributes in promoting new mechanisms of decision-making, which cross state/non-state boundaries. In terms of advancing new modes of governance, the most important structures established are i) the Regional Economic Development (RED) platform encouraging local stakeholders to work together with other municipalities in their region, and ii) the Core Partnership Group which assembles representatives of all municipalities to develop strategic objectives for economic development in their region. Participants include the local authorities, business associations, civil society organizations working on development and universities and as such present a positive mechanism of contact and collaboration between diverse sectors. This broad inclusion of actors is beneficial to the local environment as it strengthens communication between local government institutions and non-state representatives. In addition, inter-municipal cooperation is enhanced when local organizations, businesses and local governments jointly produce strategies for developing their respective municipalities. A common vision, in this case promoted under the umbrella of regions, is beneficial provided that it enables shared responsibility and commitment to achieve common benefits. Finally, the EURED grant scheme, which awards proposals developed by regional groups for economic development, enables a cyclical process benefiting participants. Municipalities have shown great enthusiasm in participating in the project considering it a funding opportunity. Furthermore, this process of cooperation allows pooling of resources and enables a win-win situation for participating municipalities who 'recognize the

power of applying as a region as compared to an individual unit' (RDA South interview 2011). EURED advisors consider this as "a free ticket to development" (Interview 2011).

The inter-ethnic environment is another aspect in which EURED mechanisms of cooperation may influence the local level. Municipalities with non-Albanian majorities such as Zubin Potok and Mamusha have shown exceptional performance in participating in regional forums. Challenges remain with the boycott of other Kosovo Serbian-majority municipalities especially in the Partnership Group, where other ethnic group delegates have participated. The EURED approach fails to achieve any success in this regard as they declare: "We do not have time to wait for anybody in this open process!" (RDA South interview 2011).

In the political economy realm, the institutional legacy of a centralized regime combined with the current weak state constrain the work of local institutions. The changing nature of discussion and 'sharing the spot-light' with other stakeholders may constitute a threat to the political leadership whilst benefiting other actors. This process has cast a more passive role for municipal authorities, a role some Mayors are struggling to accept (EURED advisor interview, July 2011). Mayors of host municipalities, where RDA offices are located, tend to assume a stronger role in their regions. This shows a clear tendency for local government authorities to resist accepting a stronger role for non-state actors.

At the central level, the partnership with the Department for Regional Development and European Integration within MLGA, does not contribute to advancing EURED objectives, as the Department is not directly responsible for advancing the development dimension. One particular sign of embedding the EURED framework within Kosovo institutional structures has been the renaming of the former Department for European Integration into the Department for Regional Development and European Integration. The Ministry of Economic Development and the Ministry of Trade and Industry provide for stronger links between central institutions, RDAs and municipalities. At the local level, the leading partners remain the local authorities whose consent and participation is essential for the establishment of RDAs in the first place. Furthermore, prioritisation of business organisations over other non-state actors, overshadowed stronger empowerment of civil society organisations.

A major shortcoming of the project remains the issue of regions, namely aspiring to strengthen structures without backup from national level policies. Internal project deficiencies, including lack of strategies to integrate existing structures to overall development policies, establishment of new

administrative layers for RDAs and lack of strategies to overcome challenges are apparent in the EURED case. The future of their already established structures and mechanism, including the RDAs, remained unclear as the project terminated in early 2012. The case study illustrates EU readiness to implement and invest on any venture under the broad aim of strengthening new modes of decision-making.<sup>9</sup>

On the other side, all platforms established to facilitate meetings and communication between actors aid municipal authorities to share the 'spotlight' with other actors including the non-state sector. Acquiring the expertise and acknowledging the interests of other parties involved contribute to opening up centralized mechanisms of decision-making commonly used in municipal administrations. The collaborative work in designing economic development strategies for their regions strengthens capacities of both local authorities and non-state organizations participating. Grants acquired by ECLC in awards for high quality projects rewards this type of collaborative work strengthening municipal commitment for the future. Furthermore, local authorities and actors from the private sector attain opportunities for inter-municipal cooperation, which is recognized and legally regulated.

### **USAID Democratic Effective Municipalities Initiative - DEMI**

The second case study covers a USAID initiative working towards strengthening local governance. USAID involvement in local governance projects has been consistent since early 2000s and its support for local reforms was particularly strong partly out of frustration with efforts to reform central government institutions (Carothers, 1999). The Agency's current engagement boasts work in regularizing mechanisms for incorporating citizen input and civil society organisations into local decision-making and government oversight (USAID Kosovo 2010).

The Democratic Effective Municipalities Initiative (DEMI) provides technical and financial assistance for execution of municipal responsibilities. Project officials acknowledge that 'Kosovo has passed the trainings and workshops phase' thus focusing on guidance of local stakeholders (DEMI interview, July 2011). However, despite this official focus on mentoring ongoing processes of reform, a fundamental part of the project's support for local governance is the establishment of two mechanisms to steer local decision-making processes into an open and inclusive direction. First, the High Performing

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<sup>9</sup> To integrate the currently administrative functions of RDAs into the larger development strategy, the Ministry of Trade engaged in discussions with European Commission only in 2012 and refused to serve as main counterpart during EURED at initiation of project in 2009.

Organization model promotes best practices within Kosovo and replicates them in another municipality. Its main objective is structuring existing municipal functions into novel organizational arrangements and inciting new ways of thinking about municipal service. DEMI objectives include assisting local administrations in setting priorities for service outcomes, engage citizens constructively in that process, and enhance abilities to identify needed improvements to their municipality's systems, processes and human capacity. In order to address citizen participation, DEMI focuses on utilizing existing tools, which proves especially beneficial to the local circumstances. Frequent changes in local administration structures disturb institutional history and cause confusion among local officials concerning competences and lines of authority.

The Service Improvement Action Plan (SIAP), another model introduced by DEMI, facilitates plans for improving public services by including municipal administration together with businesses as well as civil society organizations. Formally established by the municipality Mayor, the project focuses its work in assisting the Committee for Policies and Finances as the most important organ within the municipal administration and with dire need for advice considering 'their scarce knowledge in how to involve citizen in the decision-making process' (DEMI interview 2011). The Novobërdë/Novo Brdo municipality is a particular instance of increased citizen engagement and awareness concerning municipal policies. DEMI facilitated a Memorandum of Understanding enabling cooperation between the municipal Mayor and the NGO Youth Voice leading to youth activists conducting a survey amongst municipal residents concerning the municipal budgeting process and priorities of the municipality. Survey results, presented to the Mayor, showed low participation in budget hearings, low satisfaction with the work of municipal officials and figures of less than half of those interviewed which were informed about the budgeting process. For the local leadership 'this is the first time that municipality of Novobërdë/Novo Brdo has conducted a survey to consult citizens on budget planning process as well as the first time to outsource an NGO to increase citizens participation in budgeting process (DEMI 2011). These results are an example of new mechanisms being internalized into municipal administration practices. These cases however prove to be dependent on municipal leaders who are 'more autonomous because of their power over what they can execute' (DEMI Interview, July 2011). In practice however, most municipalities have not enabled these mechanisms.

Similar to the previous case study, a grants scheme is a fundamental part of the DEMI project. The grants scheme is a continuation of the previous USAID project EMI. Currently, DEMI awards municipalities for high performance and achieving set benchmarks for efficient public services. This

has secured municipal participation in the program and municipalities actively engage in improving their services and designing innovative ideas for new projects. The grant scheme incentivizes municipalities to compete with each other and submit applications for each round of grants for improved performance. This promotion of the model of competition amongst municipalities has proven successful fulfilling a key objective of USAID to encourage market based reforms. Yet, domestic financial support for this model is scarce. The MLGA has declared to sustain this model of incentives and rewards for municipalities in the future when USAID funds terminate. This is a rather difficult task considering the weak role of the Ministry portfolio in the government.

The institutional legacy within municipal administrations is another challenge for promoting new modes of decision-making. Institutional memory from the Yugoslav centralized administration subsists with municipal civil servants diminishing their commitment to new models of cooperation and including collaboration with other actors (DEMI Interview 2012). In the last decade, many municipalities see politically active figures remaining active in local politics and thus exercising their influence in various local issues. Mayors often persist in exercising political power within institutions thus hindering effective implementation of external initiatives.

The SIAP model's shortcoming is its resemblance to existing Municipal Committees. According to the Law on Local Self-Government, Municipal Assemblies may establish the Committees on any policy area and invite non-state actors to share their expertise on the matter (LLSG 2008).<sup>10</sup> Instead of functionalizing the structure, DEMI ignored the existing model for coordination as Municipal Committees mainly utilize their mandate for oversight of the municipal executive branch.

Parallel structures in the Northern region present one of the biggest challenges for the project to reach out to Serbian-majority municipalities. In 2011, DEMI supported collaboration between community leaders and the North Mitrovica Municipal Preparation Team<sup>11</sup> to implement a community project on cleaning the Ibër/Ibar riverbank. For larger-scale impact, the politically radical groupings amongst Kosovo-Serbs and the ever-strong parallel structures in the North were serious constraints bringing to a halt one component of the DEMI initiative (Interview 2011). By offering proper mechanisms for collaboration between municipalities DEMI intends to bridge these ethnic barriers. One example of this are the informative sessions for Serb-majority municipalities held by

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<sup>10</sup> Despite AKM and OSCE resources invested in enabling these structures, Municipal Committees have been established in a limited number of municipalities and do not function on many policy areas.

<sup>11</sup> The Municipal Preparation Team (MPT) established by the ICO and the Kosovo government to set-up the foundation of a new North Mitrovica municipality, has been in a state of limbo for several years.

larger municipalities such as Peja/Pec and Ferizaj/Uroševac offering explanations on administrative aspects of municipal functions.

## **Conclusion**

In post conflict Kosovo, local government reform and decentralisation present a complex and highly contentious policy sphere. The local level has been subject to several structural and political changes over the years, depending on its position on the country's political agenda. International agencies played a key role in the reform processes, augmented by a limited statehood environment and weak state capacities. Decentralisation policies are highly politicised as they impact political preferences of local leaders and ethnic communities. One of the biggest challenges in implementing reforms was the refusal of the Serb minority to engage early on in the institutionalised structures and the isolation of North Kosovo from overall governance reforms.

With regard to the case studies, five distinctive elements can be identified from the case studies of international engagement in promoting reform at the local level. First, both initiatives focus on the executive branch with the aim to strengthen core executives in local administrations. Municipal officials maintain a position of highest authority, even if they do exert much leadership potential as compared to non-state actors. New structures such as departments, working groups, platforms of discussion or partnership units are easily established and promoted as successes. The impact is twofold. On one side formal institutions are pressed into new realms of decision-making and coordination significantly different from the pre-1999 institutionalised norms. On the other side, it may lead to more layers of bureaucracy in an already heavily bureaucratized institutional setting with a 'working group fatigue'.

Second, case studies emphasize the clear objective of international initiatives to bridge the divide between state and non-state institutions by securing horizontal modes of cooperation. Civil society organizations and businesses are encouraged to participate in the process of dialogue with municipal representatives to embed open processes of decision-making to include non-state actors.

Third, utilizing features of a market model of governance, the external initiatives incite municipalities to compete amongst each other and with private firms. The aim is to enhance efficiency and instil a culture of competition for better services. Financial incentives in the form of grant schemes are significant components of both external projects. Considering the lack of local resources in

municipalities, donor funding proves as a significant incentive for municipal actors to actively engage in improving local governance. Particularly, the DEMI initiative, by incorporating several elements from previous USAID funded projects on local government, ensures continued interest of municipalities and their affirmation of ideas and mechanisms proposed through the project. By including financial rewards for municipal projects, both DEMI and EURED initiatives secured broad participation of local stakeholders.

Fourth, the initiatives allocate insufficient attention to intergovernmental relations. Relations between local and central government institutions remain underdeveloped and have delayed progress in general. Local authorities continue to feel left out of major policies concerning essential local issues such as competences, functionality of local administration and local development. The frequent change of legislation, programs and activities, caused an omnipresent confusion and municipal administrations were too often 'left to solve their own issues' (ICO Interview 2011). Any attempt to bring new modes of decision-making and advance reciprocal support of institutions must incorporate mechanisms to bridge these divides.

Lastly, the cases illustrate a failure of international agencies in providing clear long-term strategies for embedding these new modes of local-decision making in the local life. Incentives delivered from international projects substitute for the weak presence of central government authorities. The lack of development policies encompassing local development facilitates a strong presence of EURED principles and interpretations of governance. In addition, the lack of domestic mechanisms for rewarding excellent services offered by municipalities, enables local actors to follow guidelines and interpretations of good governance offered by USAID's DEMI project instead.

Insight gathered from the case studies informs a series of recommendations for local actors and policymakers. The new legal framework on decentralisation offers ample opportunity for local actors to strengthen their voice and emphasize their demands to both the central level and international agencies. These new conditions must be utilized strategically to fulfil local demands. With the presence of international donors, ready to invest in programs and initiatives for enhancing good local governance, local authorities should strongly advocate their own agenda and steer donations in particular issues which need attention. Accepting any and all donor projects does not lead to direct improvement of conditions at the local level but on the contrary burdens the local administration. Local authorities should avoid situations in which they accept projects from international agencies without careful consideration.

The successful implementation and sustainability of external initiatives for reform depends on local authorities adopting mechanisms of open decision-making as a new way of doing politics. Local actors can strengthen their ownership of the reform process and solidify their commitment to improving local governance by cooperating and contributing to such initiatives. More pronounced local involvement from the early stages of assistance initiatives would benefit the promotion of local reforms through legitimizing these initiatives and ensuring their sustainability once donor funding ends. This commitment would also decrease the negative side effects of externally led initiatives and ensure the achieved results benefit the local communities.

A more thorough engagement is also recommended for the central government. Their involvement in designing new reform initiatives together with international agencies would ensure that funds and technical assistance are directed to the most pressing issues. Furthermore, central government authorities should closely monitor the work of donor agencies through enhanced donor coordination activities. Closely overseeing this process would strengthen their commitment to reforms and prevent redundant projects. This would also protect the interests of domestic actors. Lastly, the central government should engage in directing financial assistance to the local level to sustain newly established structures especially where such structures are necessary for effective and democratic local governance but lack sufficient local resources.

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