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REPISHTI: Thank you Artan for this interview. I would like to start this conversation by talking about the role you played in the reform of the civil service. What was your involvement and in which capacity?

HOXHA: *I have been involved with the reform in the public sector in two capacities: first, after the 1990s when I was the Minister of Trade and Foreign Economic Cooperation, I was part of the Albanian government. I was part of the reform in the first phase of building the Albanian state, including the public administration and including specific elements in the administration such as the restructuring of ministries, the massive cutting of positions in the public administration, which was overcrowded, and the refreshing of human resources in the public administration—all actions justified by the transition from an old system to a new one. The second phase of my involvement was in 1997 when I started my activity with the Institute for Contemporary Studies, a think-tank, where one of the main research areas has been institutional reform—and within such a topic I have dealt with two issues: the reform of public administration, and decentralization and autonomy of local governance. Both these reforms, which are complementary, make up the bulk of normative and practical changes that have happened post 1997.*

Decentralization reform has also been an integral part of the reform in the public administration and I have dealt with it since the beginning of the discussions about the concept of autonomy for local governance institutions—when the national strategy in 1999 was drafted as well as in the following years.

REPISHTI: Can we now talk about the context of the reform in Albania? I believe that most of the interview will deal with the work done in Albania, but if you have any experience or knowledge about other countries and reform, you can certainly talk about that too. Let's start by talking about the capacity of the public administration in these two different phases you spoke about. How was it then and how is it now?

HOXHA: *We are referring to before '92-96 and now? In my opinion, these are two very different periods for many reasons. If we analyze the time between 1992-1996 we find that the most important themes of that time were liberalization, privatization, and separation of powers. Many studies of that time, and not only in Albania, have shown that the transition from a socialist-communist system to a system of democracy and open markets has been characterized by a conceptual mistake, so to speak. It was thought that the state existed and only a few laws sufficed to complete the transition. And this was an illusion spread throughout Eastern Europe. So, it suffices to liberalize (open up markets), privatize, and then markets would work. It suffices to separate powers, enable political plurality and elections, and then democracy is guaranteed. But things could not work so easily because we are talking about not only a simple normative change, but also a deep societal change, a deep mental change. It means that the change in the normative structure of laws and rules was not an adequate guarantee that the system would become truthfully democratic, but that the market would be an open trade market based on certain rules.*

And we have seen in Albania and other countries, certain concepts, which proved the defect of such transformation, have come to the fore. One of the defects seen was what has been simplified as "weak state." Another term that was used in relation to the economy was the "informal market," or the market with spoiled rules—bad rules that show that apart from the changes in norms, a

necessary amount of time to achieve mental change was needed. To focus on the term, which is more related to our topic—that of ‘weak state’—this translates as a state, which produces laws but that implementation is poor. Political elections are carried out but they are contested and there are accusations that they are rigged. A public administration is built that is based on written laws and aims to function within democratic norms, such as competition and performance-driven career, but political rappings, friendly connections and nepotism remain determinant factors. This illustrates the difference between written norms and the reality.

In Albania, especially after 1997—which was almost a total crisis but also in other countries in the east—voices describing Albania as a weak state became a chorus, which led to seriously addressing the issue both practically and academically. The concept of the weak state was discussed seriously in many Eastern countries and has been a key concept in the objectives and the support of the work by international institutions. In the second phase, what changes from the first phase is the conscience—changes in normative acts, the changes of laws are necessary conditions but not sufficient conditions. As a result, certain strategies and new approaches were used complementarily to the normative changes, which targeted the strengthening of the implementation instruments in the public administration both by improving human resources and improving technical capacities.

The concept of raising public awareness was used forcefully. Another, more advanced element was the active role of the public in policy-making and in implementing such policies. Not-for-profits were especially targeted. In the first phase the term NGO (nongovernmental organization) was almost non-existent while in the second phase, the terms NGO and civil society were being used daily. I can say that in the second phase, a certain concept dominated: that states, in order to succeed in the reforms, needed to be transparent in designing a project. In the ‘feedback’ and ‘adjustment,’ there is a need for consultations and wide participation. In the second phase this was also visible in the way that interests groups were formed and naturally became pressure points. In the first phase of the reform, the pressure groups were almost non-existent. When pressure groups are created, the need for negotiations is born. So these are some of elements of both phases.

There is need for more work and this relates to the preparedness of all the relevant actors who need to talk about the anticipated change and to make sure that such change is accepted by many. Another important aspect of the second phase is the external desire to see changes. So we have two factors for reform: internal and external—and the external factor is rewarded reform—whoever reforms quickly and optimally is able to join NATO or the EU, a fact which has been very encouraging for further reform in the former Eastern bloc, especially in Albania. To summarize, if in the first phase the symbol for reform was the IMF (International Monetary Fund) and the World Bank, in the second phase it has gradually become the European Union.

REPISHTI: Now to expand a bit on this last point you made, which are the motivations for reform in Albania, can we talk about organic movements originating from the Albanian state itself, be it from a fiscal need or from an identified demand by the civil servants themselves? Have there been internal factors that have helped in the carrying out of reform or has it been an external thing?

HOXHA: *I have always believed in the existence of internal motives, which are as important as the external impulses. I believe that in the first phase there existed a political and social inspiration from within Albania as people were convinced the new system was the right one. There existed a lot of enthusiasm nationwide. If one reads the reports written about Albania between 1992 and 1996, they describe Albania as a country that undertook courageous and successful reforms. As someone who witnessed what happened during 1992-93, I think that there existed an internal inspiration and courage to reform. People at the time were consulting the World Bank but the desire was internal. We believed so much in the necessity of the reforms that certain changes, which happened then, would be very difficult for politicians to make today. To give you an example, as part of liberalizing the prices of all products in August 1992, prices went up, the price of bread (an Albanian staple) went up by 5 times. We believed in the usefulness of opening up markets, which was beneficial as shown in the months that followed. The liberalization of prices enabled the private businesses to furnish the Albanian market, which had emptied at the time. And politically speaking, this was done in an election year. Normally politicians would avoid these types of decisions in election times, but it was believed that it was the right thing to do and there was popular consent.*

Of course, human capital was modest at the time and all of the technical assistance came from abroad, but the decision for reform came from within. At that time many important decisions were made. The state enterprises were closed, people lost jobs while at the same time privatization happened, which started to absorb those who had become unemployed. Keeping the state enterprises afloat would have been a catastrophe, so the decision was made consciously. But as societies move from one system to another, they become more pragmatists, which happens naturally. Albanian society today is very pragmatic, much more than it was 15 or 16 years ago. Pragmatism becomes a value, a variable in the second phase as reforms become all about negotiations.

REPISHTI: Let's move on to the focus of the reform. Which were some of the concerns then and how have they changed? What are some of the needs today to continue the reform? What type of reform happened in Albania?

HOXHA: *It was a mix. When I talk about reform in the public administration I like to talk about state reform. One of the first moments of the state reform was about the separation of powers: executive, legislative and judicial. I can say that the separation of powers is now a reality with some shortcomings in their fluctuations of 'checks and balances,' however, we have a practical separation of powers and now I believe it is well accepted that the three powers are separate and in equilibrium. And this has not just come about by a legal act of the Constitution but as sociological studies show this concept is well spread and accepted by a critical mass of the Albanian society, which serves as an encouragement for further perfecting the checks and balances in the future.*

The second important element of the reforms, both in the first and second phases, has been the de-politicization of some important state segments. I can mention the whole defense (military) system, which was very politicized—it was inherited in such a way from the communist system—and it continued to be politicized for a while but today I can say fully convinced that the political affiliation or belief of a military man is irrelevant. For this to happen, time is needed. When the law of the military stated that the military man is independent (politically) that independence did not come about immediately, some time was

needed to get there. Similarly, this happened with the police, the institution of the public order. One can say that today the political affiliation of policemen is a weak variable in their careers. I can also say that in the judiciary, the political affiliation as a variable has been weakened a lot, let alone the education system where the freedom from politicization has happened much earlier. These are all important achievements. I believe that a mental shift has been achieved in the Albanian society.

Another important element, which is accepted by a critical mass, is the rapport between central and local governments. Decentralization and local self-governance at the level of municipalities and communes is an accepted reality, which is encouraged by the public. Actually, I think that the constraining factor where the resistance has come from in the process of decentralization has been the bureaucracy not the politics. The resistance has come from the second and third levels in the public administration where civil servants lost some of the 'powers' as these were transferred to a municipality. At this point the necessary progress is lacking, we are not yet at the point where the majority of the population thinks that the civil servant is a servant of the state and not an instrument to be used politically. But I say that this is the last island, the last 'resort' of the politicization of institutions, which will gradually change in the same way that happened in the other state institution, which I mentioned. We are very close to achieving this, to see this very narrow group in the same light we perceive the military and the teachers. We are only talking about 5-6000 civil servants out of 105,000 workers in the public sector.

REPISHTI: I would like to know what your thoughts are on the reasons for such resistance, which has stopped progress in the public administration. Why has reform not progressed in the same way as the in the other sectors you mentioned?

HOXHA: *I can mention three reasons. First, it has to do with the proximity of the civil servant to the political level. The civil servant works everyday to carry out political ideas. He is part of the mechanism of policy making and as such there exists a mutual trust relationship between politics and the civil servant. This relationship based on trust is thought to happen, only or mostly, when the civil servant is chosen by the political camp. And this is a conceptual issue that needs to be changed. The civil servant is vested with public trust not political trust, which is why there is a demand to clarify the separation at the political and civil levels in the public administration. At the moment, civil servants working in a ministry or office are regarded by their political chiefs as part of their personal teams.*

Second, we should accept that there is strong demand to be employed by the state, especially in the civil service where the financial treatment is much better than anywhere else. Working in the public administration means having opportunities that the private sector cannot offer. There is strong demand by individuals on one hand and political motivations on the other, which means that the politician starts to choose whomever he wants rather than use the rules of competition and meritocracy.

The third reason is an issue of timing priorities. Logically, the reform of the Albanian state would start with the separation of powers, the de-politicization of parts of the state, the army etc., and now gradually the problem is isolated in a narrow group, which are the civil servants. Now, we are at a time when this last segment is being dealt with.

REPISHTI: Since we are talking about this phase, can you talk about the steps considered, about the priorities placed, and is there a 'window' now of opportunity in terms of enabling reform?

HOXHA: *Ok, now let's focus on the reform concerning the civil servant, this relatively small segment of state workers. In relation to the status of the civil service there are three moments in time worth mentioning. The first effort to establish a concept of rights and requirements for civil servants and a separation of political and civil levels was made in 1996 in the form of a law that stated the position of politicians and civil servants, the rights of each side, etc. This effort stalled for many reasons mostly related to the events of 1997. The topic was brought to attention again in 1999-2000 when the law of the status of the civil servant was prepared and approved. This law challenged the reality of that time and established high standards; making the Secretary General as the highest civil service post an independent position unlike the rules of the 1996 law which stipulated that the civil servant positions went only as high as under the director of directories. The law of 1999 challenged the reality and even today the positions of Secretary General and general directors and director of directories are still regarded as political or semi-political.*

The law of 1999-2000 created some 'common sense' procedures concerning rules of recruitment and career. The period between 1999-2005, which coincides with the time the Socialist party was in power, is regarded as a period of relatively successful implementation of the law of the civil servant, while the period 2005-2007 (Democratic party in charge), there have been many criticisms about the poor implementation of the law. As I mentioned before, I have dealt with the law since 1998 and I have continued until today as part of a team to analyze how the civil service law has been implemented throughout the years. I can say that the first phase, from 2000-2005, the law was better implemented than in 2005-2008. This is partially true if we consider that the implementation from 2000-2005 did not face great challenges, as there were no changes in governance. And in the first two years prior to the 1999 law (1997 and 1998), the socialist party, which came to power, did a full clearance of the public administration. This means that at the time the socialist government approved the law, it had fulfilled all its political ambition and it was only a matter of managing human resources recruited within its camp.

The Democratic Party came to power in 2005 after 8 years of opposition, during which it had maintained that the law of the civil service had not been implemented well and it has accused the socialists of purging the ranks of a professional civil service in 1996 (democrats were in power then, 1997 there was civil strife). The change in power was accompanied by many changes in the civil service where politics was the determinant factor. What I regard as positive is the fact that the scale of the changes is smaller. I believe that if the scale continues to fall, we will reach a time when politically inspired changes will end altogether. When we analyze a reform we should look at the effects of it in time and not just numbers. And we should also leave all political biases aside as there exists a perfect symmetry. For instance, in the way entire staff is changed when the mayors change—socialist and democrat alike. When I was talking to a group of local leaders the other day, we discussed some of the provisions in the law of the civil servant and all agreed that the law has 'common sense.' But the mayors and local leaders told me that the party asks of them to employ people. I was telling them that it was counterproductive to their work by hiring party militants—the majority of whom would be incompetent—they were letting down thousands of

people who voted for them who expected good work. It shows that frequently people act instinctively without thinking of the wider consequences, which is why I am saying that time is needed for people to think twice about their actions. The time will allow politicians to understand what is in their best interests. And the reform of the civil service needs to be understood by politicians as a law that benefits politics, not harm it.

REPISHTI: Could there have been other priorities that could have been implemented which could have sped the way results could be achieved, as for instance, the fact that the law of the civil service covers a very small number of people who work in the public sector in Albania?

HOXHA: *I can say that when the status of the civil servant was conceived in 1999, much weight was given to the robustness of the status vis-à-vis political changes. In other words, almost total responsibility was assigned to the concept of stability. And this is why the law contains many procedural elements, which constitute serious barriers to political abuses of the civil service. Second, the model was inspired by the concept of the system based on the position or otherwise known as the managerial model. This means that for every vacancy an individual competition takes place, since the idea is that for every vacancy there exist individual requirements based on the skills of the candidates.*

Little importance was assigned, in my opinion, to other aspects such as stability. An important aspect in public administration is the efficiency of the human resources. An important aspect is the supply of new talent which should be in high numbers now as the quality of people we have inherited is below average, while we have thousands of people educated abroad and even here who are very capable and want to be part of the administration but cannot. The system is too rigid for its own good as it constrains the supply of new talent. This means that the status of the civil servant, while having some very good qualities in managing human resources, has relatively serious problems which are illustrated in the lack of flexibility when dealing with new talent, which becomes a barrier in achieving results and which can be used as a pretext to undermine the importance of the law.

We know very well that certain defects can be exploited or used as a pretext to not respect the law. Someone might say that it takes on average 80 days to recruit someone and that I need someone now. Or he can say recruitment is expensive for single cases so let's have a temporary contract, which means that the same person will be employed permanently tomorrow on a basis of a fictional test. These are problems that we know well and we are trying to find out the necessary modifications for the status. Let's start with the system of the position, how do posts differ throughout ministries? We have found out that generally speaking the first level, say, the entry positions have homogeneous requirements—administrative duties—so why not use a system of group recruitment? Which means that we can have two or three announcements during the year in order to recruit a group of 'juniors' who can serve in the position of specialist (entry position), the number of whom can be recruited based on the needs of each ministry. Group recruitment means group testing, more candidates, more seriousness, low costs, where a list of candidates is produced who wait to be hired when a position becomes available. Similarly, general secretaries and general directors do the same thing in different ministries; they manage. They can be used at any ministry and they can form a category, which can be called 'top civil servants' or 'senior civil servants.' This means that

directors can be used interchangeably and their fate would not be tied to that of a particular minister. This system would create horizontal mobility. A civil servant who starts and ends his life in one place and on one topic cannot diversify his experience. One can include a method of rotation. These are some elements that if properly considered and appropriately modified, can be adjusted to the actual system, which will not fundamentally change.

Another important element in the civil service is performance evaluation. People are rational beings, if you don't state clear costs and benefits, there would be no incentives and no one would work hard if they can all receive the same benefits regardless. Of course, performance evaluation is easier said than done. You need clear and measurable tasks, monitoring of the scale of carrying out those tasks and evaluating the performance, which is a cultural and a professional thing. If we can compare the departments of human resources and the departments of policy making in public institutions, we find that the former are very poor. In the departments of managing human resources, less talented people have been systematically hired. There has also been less training. New methods of performance evaluation have been introduced. A good performance evaluation process should start from the moment someone is hired and throughout his career. And to do this, it is not sufficient to just make a law or rules but it is a matter of education, training and constant learning.

As for the small number of civil servants covered under the law, this was done on purpose as the idea was to start small in order to increase chances for success and then to gradually expand. Today there is talk about the expansion of the aim, 'the scope of the civil servant law' in order to include other segments of the public administration such as, for instance, the territorial branches of ministries, institutions such as the general directory of tariffs, customs etc., as well as the smallest local government offices. However, what seems the smart thing to do is an expansion in phases, as it is first required that the concept of the status of the civil service becomes more stable and improved. However, the number of people covered by the civil service law will remain relatively low as other public sector workers have their own status, such as policemen, the military, teachers, doctors etc.

REPISHTI: Can we talk about a desire for reform now or is it too early to say, and do you expect your proposals to be added to the actual system? What sort of difficulties do you foresee?

HOXHA: *Yes, there is a desire to reform. Let's talk about the entire education system. The model of autonomous schools with more parent involvement in the managing of schools is being formed. I personally believe it is a good model, which will better motivate teachers and managers. There will also be performance evaluation for the students, thus for the school, through state exams, which if it can be expanded in more subjects can become a good indicator of school's success and achievement and can serve as a way to compare schools.*

There are ideas about reforming the public health sector but no real progress. However, there have been reforms in the ranks of the police with good results in areas such as professional attainment, internal control and rooting out of corrupt policemen. There exists a desire for reform in the judicial and prosecutorial sector with various rules put in place to combat corruption and improve performance, which will not produce real results in the short term, but which are good.

There is also a period of reflection in the public service ranks. What we see today in the functional organization of the public administration is a poor delegation of competencies from top to bottom. And where there is delegation within a structure such as a ministry, this delegation process is unclear and it results often in confusion—no one knows where the decision was taken, for which reason, and to what effect. Heads of institutions who sign hundreds of papers, I am sure, don't read 95%-98% of those documents, they sign in good faith, thus we have a paradoxical situation here—everyone decides and no one can decide. And tomorrow when something bad happens, no one knows who should be held responsible. From the point of view of the citizen who expects to be served based on his rights, this is bureaucracy, loss of time, and lack of clarity. Who can he talk to and explain his rights, what he is looking for, and who is making a decision? This type of internal organization and decision-making creates many frictions between state institutions. The horizontal harmonization is necessary and daily since many public decisions usually touch on more than one sphere of competence. And if today we have a political directory in the X ministry and another political directory in the Y ministry, it is very difficult for them to communicate horizontally; everything has to pass by the Ministers.

The assignment of tasks has to be clear and start from the lowest levels. We have taken the first big step in the internal functional organization: a large assignment of tasks, a large department of policy, a large department of services, a large department of monitoring and inspection, and another large department of internal management. But the work does not end here because there are many more offices subordinate to Ministries, which also need clearer assignment of tasks.

The third element or theme related to public administration reform is decision-making, transparency and modern technology. Models such as 'one stop shop' or 'silent consent' are now becoming fashionable and they are incorporated fast in the central public administration. The best example is the National Centre of Registrations, which registers businesses within 24 hours by using the latest technology and gives full public access to the data of those registered by using 'silent consent.' Work is being done and will become a reality soon, that a center of the 'one stop shop' model, completely electronic, which enables the issuing of licenses and permissions, which means yet another modern element of the public administration.

REPISHTI: My last question refers to the recruitment of young talented people and how to make employment in the Albanian public administration more attractive. Are there any innovations and how are they being used and to what effect?

HOXHA: *It is a controversial issue. Attracting educated and experienced young people is an issue that is being dealt with for a long time. One of the strategies used with funding from the Soros Foundation was an additional payment for the civil servants who entered the public administration for the first time and who had a Master's degree or a PhD from a university abroad. The added payment given to these individuals was considerable. On the other hand, it begged the question: Is this honest? From the years 2002 to 2005 the Soros Foundation paid for the additional payments, while the actual government has done this with funds from its budget. It has decided to pay bonuses for Master's and PhD programs from foreign universities, and, if I am not mistaken, from Albanian universities too. Honestly, I believe that from a pragmatist point of view, it is something that can be justified but I don't see it working in the long run. For me, the public*

administration is not a place that requires scientists. It is a place where administrators are needed; people who must perform dutifully the tasks assigned.

While now there is an artificial way of attracting part of our human resources, which creates the problem of inequality; how can we differentiate from a master's program at university A from that at university B? How can we tell that the one with a PhD performs more poorly than the one without the PhD? I would say that apart from performance evaluation, everything else seems like artificial interventions. However, in other circumstances, as a rule, he who has completed a Master's or a PhD that relates to the work he will be doing will have better chances of getting hired and be able to better perform. This would mean more rewards for a job done well and possibilities for career. This suffices, I think, while the establishment of these norms—extra payment by 20% of your salary because you have a master's—to be honest I have a master's too—it seems absurd. But let's say that for a particular short-term moment 'it does not hurt too much.' In other words, we should move to a system that treats people equally and with competence and devotion making all the difference.

REPISHTI: Yes. Thank you very much for this interview.

HOXHA: *I would like to say something else about this topic. The public administration has a limited capacity, very limited, in relation to the productivity of universities. The public administration can assimilate and find appropriate jobs for a limited number of talented people. Let's say a few hundred. The private sector is still at the phase where the dimensions of the firm are very small, with the exception of a few banks and a small number of big business, which can satisfy career and professional ambitions—all other Albanian businesses are small or medium, managed mostly on the basis of connections to and the direct role of the owner. An area where more can be done to attract talent is the consultancy sphere. We are at a moment where the supply in the consultancy market is growing in number and quality as we have increasing numbers of people who are well educated and with experience, but on the other hand, state demand for consulting services is limited and only happens when the funding comes from foreign donors with very little funds from the state's budget.*

And in the case of foreign donors, there is a stated preference for consultants with foreign experience, which Albanians in general don't possess, not due to a lack of competence but as a direct result of certain constraining rules. When the German cooperation, say, hired consultants long ago it stipulated it wanted Germans only—now it is EU citizens only. There are these disadvantages created in time with nobody to blame. While there is a lot of local expertise, if you see the terms of reference, it is usually asked for expertise to come from abroad than from the internal market. In this area more can be done for the 'brain gain' by stimulating the use of Albanian capacities, which are being enriched everyday. Especially in the reforms of the public administration—the state reforms—there is no need for 'copy-paste' approaches but rather adopting to the situation, which can be achieved by mixed teams comprising of consultants and civil servants. This will enable an exchange of expertise both local and foreign and to increase the quality of the human resources.

REPISHTI: Thank you very much.