

THE IMPACT OF NEW PUBLIC MANAGEMENT IN PUBLIC ADMINISTRATION REFORM OF ALBANIA

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The Abstract

The status of public administration, and its adjustment to rapidly changing needs of society and government, is currently a universal debate in European countries. The Albanian government has committed itself to walk into the path of European integration. With its aim of EU membership, the Government and the EU have identified public administration reform as a basic priority to achieve this membership. The concept of New Public Management (NPM) states that top public managers should have certain competences and skills in order to deliver effective leadership and organisational management. A highly effective public sector increases the chances of having a competency framework for the top public management. This could imply that reforms in the domain of public leadership and adoption of a competency framework for the top management is only initiated when the comprehensive reform programmes are in place.

1. Specific context of the topic

If we refer to the Europeanisation term of potential or candidates country, we can admit that it is not easy to put a direct linkage of implementation between the similar reforms made in different countries. Even though principles within EU are unique and transmits same objectives and values, reality shows that reforms in Public Administration are showing different results and different levels of managing the new shape of frameworks and structures. By not taking the risk and responsibility to include the Balkans in our study and conclusions, it is obvious that we will focus only on Albanian PAR. In Albania, the treatment of public administration in terms of research and analysis of public policy evaluations have emerged as a new discipline in academic treatments in recent years. Now is the time when the study of public administration and its management are necessary and indispensable to the success of the administration function. In the new challenges offered by the integration of public administration, its management is undoubtedly one of the most important elements. Public administration refers to work that perform governmental institutions and includes the development and implementation of public policies. While the core of public administration management means using the best techniques and methods applied in the business to public administration. Peter F. Drucker in his book *The Theory of the Business*, (1988) (*Theory of Business*) said: "Every organization operates as a theory of the business ... business strategy converts this theory in a performance. ... Strategy is also a test of the theory of business", so this judge should be the goal of every part of the institution of public administration. As Woodrow Wilson, namely public administration's father, former U.S. president said: "The field of administration is a business area." So to succeed in business management, to have this thing in public administration in order to increase the active power and administration to improve relations with the public. This is done to achieve a better implementation of the law and increasing public services. This form of public administration management, in the late 80s, we find designed by David Osborne and Ted Gaebler, who developed the theory called "New Public Management",

which defended the idea of using methods private sector with a view to the public service efficiency. For more than a decade, PA of Albania, as the main representative of governance, has been moving from a model of characterised by bureaucracy and inefficiency where public had to collide with the burden procedures towards new practices where customer is the king, quality of service, transparency of information delivery, efficiency are the subject of the day. We are going to show which are the bases of this transformational reforms concerning to law and administration issues. We are going to show how new types of management in PA can not only help, but also lead us in this important path to EU integration.

2. What does NPM address to?

The conventional wisdom holds that NPM has its origins in public-choice theory and managerialism. The NPM movement began in the late 1970s and early 1980s. Its first practitioners emerged in the United Kingdom under Prime Minister Margaret Thatcher and in the municipal governments in the U.S. (e.g., Sunnyvale, California) that had suffered most heavily from economic recession and tax revolts. Next, the governments of New Zealand and Australia joined the movement. Their successes put NPM administrative reforms on the agendas of most OECD countries and other nations as well (OECD, 1995). Only later did academics identify the common characteristics of these reforms and organize them under the label of New Public Management. These common attributes of NPM—undisputed characteristics that are almost always mentioned by academic observers—are listed in Table 1, along with a few debatable attributes that are included by some but not all observers. Although the special mix of characteristics of NPM is new, it does not represent a paradigm change.

Table 1 : Characteristics of the New Public Management<sup>1</sup>

|   |  |
|---|--|
| Undisputed characteristics (identified by most observers) | Debatable attributes (identified by some, but not all) |
|---|--|

<sup>1</sup> "Origin and theoretical basis of New Public Management" (International Public Management Journal 4/2001)

|   |  |
|---|--|
| Budget cuts<br>Vouchers<br>Accountability for performance<br>Performance auditing<br>Privatization structures<br>Customers (one-stop shops, case management)<br>Decentralization<br>Strategic planning and management<br>Separation of provision and production<br>Competition<br>Performance measurement<br>Changed management style<br>Contracting out<br>Freedom to manage (flexibility)<br>Improved accounting<br>Personnel management (incentives)<br>User charges<br>Separation of politics and administration<br>Improved financial management<br>More use of information technology | Legal, budget, and spending constraints<br>Rationalization of jurisdictions<br>Policy analysis and evaluation<br>Improved regulation<br>Rationalization or streamlining of administrative<br>Democratization and citizen participation |
|---|--|

service that reflect a 'reinvented' form of government which is better managed, and which takes its objectives not from democratic theory but from market economics. While some use the terms interchangeably, most of the research makes distinctions between the two. Essentially, governance is a political theory while NPM is an organizational theory. As Stoker describes it, „[Governance refers to the development of governing styles in which boundaries between and within public and private sectors has become blurred. The essence of governance is its focus on mechanisms that do not rest on recourse to the authority and sanctions of government....Governance for (some) is about the potential for contracting, franchising and new forms of regulation. In short, it is about what (some) refer to as the NPM. However, governance...is more than a new set of managerial tools. It is also about more than achieving greater efficiency in the production of public services.” (Stoker, 1998, pp. 17-18).

Transparency, citizen involvement, and decentralisation are not part of the original core of NPM, because the NPM focus on the apolitical rule of the expert makes them more difficult, and because they do not necessarily contradict previous forms of public administration at all.

We must admit that NPM is a fossil of management style in our country. This because few characteristics are moving through a neo elements of governance. Transforming principles are according to Reform and Enforcement of Administrative Law. This principle would guarantee equality for all individuals and groups before the law, protect against arbitrary and unpredictable actions by state agencies, and provide for specialized state scrutiny of state actions. Also we can mention External Orientation toward Citizens. This principle represents an outward shift away from internal bureaucratic rules toward the needs, values, and perceived opportunities of citizens. Similar to the “consumer-orientation” of NPM, external orientation is based primarily on a professional culture of quality and service, supplemented in some appropriate cases by market mechanisms. These Neo Elements are characterized by the instrumental bureaucracy, to achieve economic and financial gains through ‘downsizing’, tax-reduction programs and privatization programs designed to achieve new efficiencies. (Dunn & Miller, 2007, p. 355). All mentioned above offers us an engagement between New Public Management and New Public Administration. Actually referring to our CS system we see a slowly starting on implementing NPM in our reform.

**3.PAR in Albania : General Overview and Trends**

The Albanian transition clearly demonstrates how development achieved without paying attention to public administration and management can be hardly sustainable. The public sector has three main functions:

- To exercise public authority and provide services based on the legislation and regulations, through its organizations

If trying to compare with a structural object, NPM can be a hybrid from the Organic Public Management developing into behavioral-administrative sciences<sup>2</sup>, public choice theory<sup>3</sup>, classical/neoclassical PA<sup>4</sup> etc. The mostly European literature on governance and the NPM describe two models of public

<sup>2</sup> Simon (1976) clarified the processes by which goal specificity and formalization contribute to rational behavior in organizations (Scott p. 45). He criticized Fayol's platitudes and Taylor's "economic man" assumptions, proposing the "administrative man" who pursues his self-interests but often doesn't know what they are, is aware of only some of the possible decision alternatives, and is willing to settle for an adequate solution than continue looking for an optimal one (p. 45). Simon distinguishes between the decisions a person makes to enter or leave an organization and the decisions they make as a participant. Organizations simplify decisions and support participants in the decisions they need to make.

<sup>3</sup> Public choice seeks to understand and predict the behaviour of politicians and bureaucrats in the polity by utilising analytical techniques developed from economics, based on the postulate of rational choice. In other words, public choice is an application of neoclassical economic tools (self interest and utility maximisation) to explain political behaviour. In public choice, individuals, interest groups, bureaucrats, and politicians are assumed to seek their own self interest as in the market place. Decisions made depend on the costs and benefits of an action taken whereby each group attempts to maximise their own net benefits. Benefits can take the form of monetary or non-monetary rewards and can include ideologies, goals, and cultural values. (Rowley 1995 : Wills 1997)

<sup>4</sup> Classical approach of public administration consists of the scientific structure of administration or scientific management of Mr. F.W. Taylor known as the father of "THE SCIENTIFIC MANAGEMENT". Neo Classical approach is more flexible approach. This approach consists of scientific administration as well as human behavior and human relation. This gives more importance to human relation. This is having both quality official and non official .

| Areas of PA modernization   | PAR in Albania  |
|---|---|
| Public employment   | Law on CS and creation of the CSC   |
| Open government, transparency and accountability                    | Law on the rules of ethics in PA, anti-corruption plans and measures controlling conflict of interest, law on administrative procedures and law on freedom of information   |
| The use of market-type mechanisms                                   | First privatisation was pursued, but other market mechanisms have not been introduced because of the absence of well developed market and private enterprises               |
| Reforming organisational structure                                  | This lever of change has been widely used, but without a coherent strategy  |
| Public expenditure and budgeting                                    | Introduction of the Medium-Term Budget Program (MTBP), a tax administration modernization project, enactment of a new organic budget law                                    |
| Enhancing public sector performance                                 | Performance evaluation has been introduced more at the individual than at the organizational level  |
| Control systems   | Emphasis is on external control legislation and institutions  |
| Use of ICTs (Information Communication Technology) and E-government | ICTs have been used in a fragmented, its use for service delivery is still very limited. Several projects on e-proc, e-accounting and e-population registry are undertaken. |

set up by the government, which should provide governance of the whole;

- Regulates public service delivery to citizens and economic agents, controls compliance with regulations, maintain the desired balance between the market and the interest public beyond the market

- Contracts with private entities for the purposes of public administration and to perform some goods or services to the public, including the provision of necessary infrastructure.

The balance between these three functions can vary from one country to another, but these functions can be found in every country. These functions require different organizational forms and can be created by different patterns of relationships. Here it is necessary to consider the existing situation of the countries concerned, current practices and heritage historical, and to find suggestions

and positive dynamics to support reforms. However, in all cases, the requirements are the same: in a democratic country, organization administration must rely on professionalism, clear lines of accountability, predictability of administrative actions based on the rule of law, financial transparency, coherence in the allocation of public funds, ease of judicial review and transparency for citizens. PAR can be divided into three main areas :

(a) Civil service reform (CSR), which is concerned with human resources in the public sector such as capacity, wages and conditions.

(b) Increasing the efficiency and responsiveness of the policy-making system.

(c) Reforming the machinery of government, which is concerned with the rules, institutions, and structure of the administration necessary to carry out government policy, including new tools for public administration, notably e-governance and e-government.<sup>5</sup> Just to be more concrete, we want to emphasize the crucial directions of this process to be addressed briefly through the table below:

**Table 2: The scope and contents of PAR in Albania<sup>6</sup>**

Meanwhile it is necessary to highlight that the database which can gender a successful transformation of this process is the rule of law. If a country seeks the management for change, it is obvious to begin with specific elements of legal regulations. That is why we are going to show in concrete terms the hotspots of the implementation regarding to NPM

- **The new law on "Civil Servant Status"<sup>7</sup>**

Drafting a new Law on Civil Servants is one of the priorities of the Inter-sectoral Strategy for Public Administration Reform (SPAR) of the Albanian Government and serves the country's ambition to integrate in the European Union (EU). After almost 12 years of actual implementation of civil service law, series of problems are encountered by its application, such as:

a) recruitment not based on merit mainly due to the use of temporary contracts and lack of transparency and accountability in appointments

b) politicization and instability reflected in politically motivated movements

c) poor management and control over the implementation of civil service law.

The Albanian government has explicitly recognized these problems and the importance of civil service reform in terms of the need for an impartial, efficient and professional civil service. The goals of this reform should be to increase the capacity of the state to continue reforms in the country's development and to prepare Albania for association with the EU and beyond for its full membership. In this context, special attention is given to strengthening the role of DoPA as a central policy unit and civil service management, a role which should be clearly differentiated from that of CSC. The government approved the draft Law on the Civil Service in August 2012 and it is currently in

<sup>5</sup> Public Administration Reform, Practice note (UNDP)

<sup>6</sup> Public administration reform in transition, Public Management Review (Mussari, R., Cepiku, D., 2007)

<sup>7</sup> Intersectoral Strategy of PAR 2009-2013 (DoPA)

parliamentary procedure where it requires a qualified majority for adoption.

- **The Law for the Organization and Functioning of Public Administration**

The Law on the Organisation and Functioning of PA, a structural law which aims at fighting fragmentation and coordination deficiencies and creating a general legal framework for the organisation of public administration, has been adopted. This notion developed in a number of principles that are distinguished from the principles of the procedure administrative and budgetary management principles. The purpose is:

1. To create a general legal framework for the organization of state administration that can and should be used for all sectors of state activity, and avoid organizational development solutions on a case by case basis, leading to fragmentation, coordination problems, lack of accountability and abuse of resources
2. To strengthen the overall capacity of the central government to direct the implementation of state functions to resolve and implement national policies and to adjust deviations in the implementation process
3. To strengthen the accountability of senior civil servants through a clear structure that defines the tasks and responsibilities
4. To establish basic principles for the functioning of public administration in order to guide all directors, according to the principles of "good-management" when performing their duties. In the context of the difficulties faced for the application of these reforms it should be mentioned that in order to pass all these draft laws in the Parliament a qualified majority - 3 / 5 of all members of the Assembly is required- which is at the moment difficult to achieve due to political differences existing in the country, but international intervention will probably soon have a new legal package and quality.

- **Law on Financial Management and Control**

Establishes and assesses financial management and control systems in reference with the methodological guidelines provided in this manual. New law on financial management and control tried to handle the function of manager and managerial accountability. By Article 8, managerial accountability given to the president of the central and local government units, while the heads of spending entities, public trading companies and organizations are responsible to the body that appointed them. The draft law regulates managerial accountability among other managers within the organization (Article 11). Structure and different organizational forms may be consistent with this organization of managerial accountability. The civil service continues to suffer from shortcomings related to politicisation and a lack of meritocracy in recruitment, promotion and dismissal of civil servants. In key sectors the public administration faces important challenges in fulfilling its tasks, including the management and follow-up of assistance programmes and

the implementation of legislation aimed at alignment with the EU acquis.<sup>8</sup>

#### 4. Supporting NPM or not? Shifting from Manager to Leader....How far?

As mentioned, in order to create more efficient, effective and citizen-friendly public organisations, the focus in the last two decades has been on public sector reforms. For the management this will mean: strategic thinking and vision; high values of integrity and ethics; getting the best from people; making a personal impact; self reflection for continued learning and improvement; focusing on outcome; building relations and supporting teams; and creating shared understanding and values. To cover all the required competences, the top management has to operate as a complementary team. The concept of New Public Management (NPM) states that top public managers should have certain competences and skills in order to deliver effective leadership and organisational management. A highly effective public sector increases the chances of having a competency framework for the top public management. This could imply that reforms in the domain of public leadership and adoption of a competency framework for the top management is only initiated when the comprehensive reform programmes are in place, thereby indicating that a country is ahead in the process of public sector reform. Managerial skills and qualities that were important during the last two decades are no longer sufficient to cope with future challenges; therefore new competencies for public sector management have to be introduced. Today top public managers are expected to be more performance-oriented and less process-compliant than in the general civil service. They should have a managerial focus, leadership skills, an innovation and communication focus, as well as professional competence. These competences are a prerequisite for productive top management. The traditional values such as hierarchy of control, authority through position, conformity and command-control paradigm are slowly going to be transformed into new cultural values within public administration, such as openness, transparency, efficiency, effectiveness, authority through leadership and managerial culture. New cultural values are positively associated with multicultural skills, people skills, understanding, innovating and changing the organisation, emotional intelligence and self control. The difference between managers and leaders is that managers have subordinates and leaders have followers. Furthermore, the work focus and working styles differs. While managers focus on "getting things done", often within tight constraints of time and money, leaders inspire their followers and give them a vision of the expected outcome.

#### Main differences between leaders and managers

| Subject        | Leader         | Manager       |
|----------------|----------------|---------------|
| <i>Essence</i> | Change         | Stability     |
| <i>Focus</i>   | Leading people | Managing work |
| <i>Have</i>    | Followers      | Subordinates  |
| <i>Horizon</i> | Long-term      | Short-term    |

<sup>8</sup> ALBANIA 2012 PROGRESS REPORT, Brussels, 10.10.2012 SWD(2012) 334 final

|                  |                   |                    |
|------------------|-------------------|--------------------|
| <i>Seeks</i>     | Vision            | Objectives         |
| <i>Approach</i>  | Sets direction    | Plans detail       |
| <i>Decision</i>  | Facilitates       | Makes              |
| <i>Power</i>     | Personal charisma | Formal authority   |
| <i>Dynamic</i>   | Proactive         | Reactive           |
| <i>Style</i>     | Transformational  | Transactional      |
| <i>Wants</i>     | Achievement       | Results            |
| <i>Direction</i> | New values        | Traditional values |

The career-based civil service system aims at building a coherent civil service with top executives, who share the same culture; this makes working together and communication across government organisations easier and favours internal mobility. Top management in public organisations has to balance the interests of all stakeholders, e.g. politicians, citizens, own employees, and it can be a challenging process. In the process of change it is very important to have a powerful team of supporters for the reform. We must not distinguish people by their personal political views, the aim is the whole to work for the same objective, that is competing for their organisation in order to offer the best of public service. We are far from talking about diversity in top management or teams according to cultural or nationality backgrounds. The diversity component is still lacking. We can actually speak for gender or age diversity in management teams of our institutions. And this must be the focus area on renewing these values or elements mentioned above. If we believe in big changes, we must also believe that they begin with little significant steps. And in the first line stays several topical areas, e.g. implementation of New Public Management, improving quality of internal organisation, HRM and quality of staff, knowledge management and IT tools, and public-private partnerships. As can be seen from the areas of reform, these projects focus mainly on typical means of internal change management this reform displays rather more management than leadership. Actually our system focus more on changing structures or implementation of new tools or new training programmes for staff (not always

managers), without having an overall vision and changing organisational culture and fundamental values. There can be a risk that change is not embedded – it is only partial (in an organisation's structures, not in its values). Therefore, in case of a political change or mobility of management or a short-term crisis and reducing of resources, the change process will be easily influenced and cause fallbacks in the reform process.

**Conclusions and Recommendations**

Whilst introducing NPM we should also introduce a focus on cultural values and soft motivation and diversity skills for managers in human resources. There should be a better balance between the short-term results and long-term sustainable outcomes. In public sector there is always a strong connection between administrative and political leaders, and often it creates difficulties in ensuring sustainable and long-term reforms and change. This is because the political and administrative systems are functioning in a way that supports acting on a short-term basis rather than having a strategic long-term vision. The risk is that in times of political and/or economical change, the reform process is stopped or changed to another direction. So we can conclude in this case that a precondition of avoiding political appointments for the positions of administrative leaders should be in place to help create more continuous and sustainable leadership and policy efforts. Our institutions should focus more on skills and competences and offers a portfolio of knowledge to address the role of leadership in managing change for public officials from all levels of public administration. Law on public administration should be drafted in such a way as not to violate other laws or not to clash with them. In particular, the general principles should be designed with due priority rigorous organization and administrative procedures, and are not following the principles of administrative procedure, which would create problems interpretation due to slightly different formulations of these principles.

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