

Public institutions in transforming societies

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## Abstract

This research comprises of a comparative case study of two public revenue organisations in the post-conflict state building context of Kosovo. The key aim is to understand effectiveness and efficiency of public institutions in transforming countries. It relies mainly on the theory of prismatic society proposed by Riggs, which states that institutions in transforming societies are ineffective and inefficient due to multiplicity of norms leading to corruption. It holds that bureaucracies interfere in the political decision-making due to the weakness of political institutions. I found that the context of Kosovo could be described as neo-prismatic due to prior societal diffraction. As a consequence political institutions are relatively developed compared to bureaucracy and political interference in public institutions is widespread. Yet, effective institutions can be built if there is insulation from political interference. While there are views that political influence has negative consequences for institutions, an opposing view suggests that bureaucratic autonomy would lead to corruption. I found the ways in which political interference takes place through various forms of prismatic behaviour affecting the institutions I studied. My findings help inform future organisational design efforts.

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## Author's declaration

This dissertation is the independent work of the author, Seb Bytyçi. It is original and no part of it has been published before. This work has not been submitted for any other qualification at this or any other institution.

## 1 INTRODUCTION

This study looks at two cases of institution building in Kosovo, as a post-war country undergoing transformational processes. The research is a study of the interplay between public institutions and the transforming societal context. It analyses the effectiveness and efficiency of public institutions by looking at their historical development and the different aspects of the context in which they operate. It looks at the various complex processes and agents involved in the transformation of a society and the relationship between them and public institutions.

I decided to undertake this research project for several reasons. Firstly, having grown up and lived most of my adult life in Kosovo, I was interested to discover the reasons behind the many dysfunctions of the public institutions that I came across. This interest was further increased from my experience living in an industrialized nation, USA, during my graduate studies. This helped me form a comparative mind-set as I contemplated why organisations in some countries are more effective than in others. Secondly, my work in Kosovo, both in academia and in development practice as well as policy advocacy, led me to question the underlying reasons of many practices and phenomena that I encountered and was hoping to change. I found myself pondering on issues such as the political interference in the university where I taught, the lack of a substantial impact of development projects, despite formal successes and the lack of progress in public institutions becoming more effective with the passing of the time after the end of the war in Kosovo, in 1999, despite a large number of capacity building projects implemented by international aid organisations. Due to these reasons, and in continuation of my previous research, I decided to undertake my PhD studying public institutions in transforming countries.

This research project is not purely based on public management theories, but also informed by other disciplines such as a comparative public administration, political science, economics and international development. In trying to understand how the social and political environment affects public organizations it draws from theories of transition, development and post-conflict studies. It looks at two revenue institutions, Tax Administration of Kosovo (TAK) and Kosovo Customs within the context of public

institutions in this complex process of transformation and what impacts their efficiency and effectiveness.

### 1.1 Aims and objectives

Based on my exploration of the themes of transformation, post-war state building and institutional performance, I set several aims for my study. Firstly, my aim is to discover what affects the quality of public management in transforming societies. Secondly, how the social, economic and political context impacts the bureaucracies in a post-conflict transforming society. Thirdly, I intend to determine how aspects of state building such as international administration, insulation of institutions from society, political representation of social (ethnic, geographic and political) groups and ideological constriction, impact the effectiveness of public institutions. Fourthly, due to the fact that political processes (such as elections) are important in determining the development of public institutions over time, I plan to look at how political influence on public institutions impacts the performance of institutions. Finally, I aim to study the existence of meritocracy in post-war institutions and see how it is related to political representation and legitimacy as well as the effectiveness of institutions.

My objectives are to examine the impact of four features of public administration in post-war Kosovo on organisational effectiveness and efficiency. These four features are autonomy, meritocracy, formalism and mimesis. My emphasis will be on comparing the Tax Administration of Kosovo (TAK) and the Kosovo Customs (KC). These two organisations are related, as they are both revenue organisations. Furthermore, as revenue organisations they are doubly important in the process of state building as they enable public budgeting for all other public institutions.

Related to these aims and objectives, the hypotheses that I propose to test are: 1) Higher level of autonomy from political interference leads to more efficiency in an organisation. 2) Higher level of meritocracy leads to more efficiency in an organisation. 3) The more formalistic an organisation is the less efficient it is. 4) The more mimetic an organisation is the less efficient it is. Below I will explain how I proposed to test each hypothesis.

## 1.2 Research questions

My main research question is: What determines the effectiveness and efficiency of the Tax Administration and the Customs in Kosovo? Related research questions are: What was the historical development of TAK and KC from their founding to 2015? What are the features of TAK and KC that explain the difference in effectiveness and efficiency? What was the role and impact of the international administrators in TAK and KC?

## 1.3 Why study public institutions in a post-conflict state-building context

State-building is important as the sovereign state is seen as the best form of organisation to secure prosperity, and the view that the international community must be engaged in state-building because failed states pose threats to other countries. State-building efforts are often accompanied by democracy promotion and civil society promotion along with efforts to build a market economy. State-building processes can be broken down to the level of institution building. The successful development of institutions is uneven as state-building is a complex process impacted by many factors. This leads to the necessity to study the differences among institutions within a country undergoing state-building.

Public administration is a key component of the state that should receive attention in state-building studies. Very much related to this is the issue of meritocracy in public administration and how it impacts effectiveness and efficiency. With regard to public administration in state-building, meritocracy is raised mainly discussed as being part of a trade-off with political (e.g. ethnic) representation. Similarly institutional effectiveness is often debated in terms of a trade-off with political legitimacy. I propose to examine these relationships further as a greater analysis of the issue of meritocracy in state building and institution building would be very enlightening for both the theory and practice of state building.

## 1.4 Why use Riggs' prismatic theory?

In the literature review, I propose to examine the connection between public administration, post-conflict institution building, and revenue institutions in Kosovo. This

resulted in my suggestion to utilize the “prismatic theory” proposed by Riggs (1964) to comprehend institution building in post-war Kosovo. After reviewing the literature I have based my research proposal largely on Riggs’ prismatic theory, with contributions from other authors as well. I trust this is the best approach as Riggs’ theory is very valuable in understanding the transformational aspect of society and public administration. Other authors contribute further by problematizing issues within the “prismatic” condition that Riggs identifies, and I examine their concepts as well. Various authors, such as those focusing on pockets of effectiveness in transforming countries, have engaged Riggs’ theory to inform their research on comparative public administration.

The theory of prismatic society is particularly suitable as it offers us concepts to examine phenomena that take place in societies that are no longer traditional and not yet modern. The concept of prismatic society is advantageous because while the term “transitional” assumes teleologically that a society is actually transitioning towards modernity, the term “prismatic” does not necessarily infer that. Riggs’ concept of polynormativism is also very important and useful in understanding bureaucracies in prismatic societies. Riggs based his prismatic theory on the sociological theories of transformation of societies from tradition to modernity. The prismatic theory argues that as traditional norms are displaced but not yet replaced by modern ones, there is polynormativism in prismatic societies. Because of this apparently modern forms of public administration do not function as they are expected and bureaucracy is more ineffective and inefficient compared to developed countries. My understanding of transformation is that it is an emergent phenomenon of the society as a complex system. The working definition of “transformation” that I use is “Societal changes towards modernization, industrialization and economic development, including democratization, regime change and the move towards a market economy.”

Prismatic theory is also valuable because it covers substantially the themes of organisational efficiency and effectiveness. Whereas literature on organisation theory has looked at organisational effectiveness, I found that the literature on comparative public administration does not pay sufficient attention to the issue of efficiency and effectiveness, notwithstanding exceptions by authors focusing neo-Weberianism. Riggs’ ample attention to this issue makes his theory advantageous for the purposes of this research project.

Additionally, it is difficult to find examples of attempts to test any of the hypotheses of the

prismatic theory although its prominence is recognised in the field. Furthermore, its critique has not done a good job of refuting its hypotheses, although it has raised many issues for study. This makes the prismatic theory an apt framework to use for my study. Consequently from the points raised above, I suggest testing some of the hypotheses of the prismatic theory to try to understand why one pocket of effectiveness (Kosovo Customs) exists in Kosovo and what the implications are for institution building.

### 1.5 Why focus on Kosovo?

I propose to focus on Kosovo for several reasons, which I think make it a case worth exploring. First, the international community has spent the highest per capita expenditure for post war reconstruction and state building in Kosovo. Second, after the war the institutions were built afresh and a vast majority of the staff had not worked in public institutions previously. Last, but not least, I have a personal interest in Kosovo as that is where I am originally from.

Also, though there are debates about the applicability of prismatic theory in different contexts, no attempts have been made to test its hypotheses in a post-war context. These aspects of the context of Kosovo, which differ from the experience of most of the developing countries, which the prismatic theory covers, make it worthwhile to undertake such a study in Kosovo. I suggest testing the hypotheses of the prismatic theory in Kosovo to realise if they can be confirmed in such a context.

### 1.6 Why study revenue institutions?

My emphasis will be on comparing the Tax Administration of Kosovo (TAK) and the Kosovo Customs (KC). These two institutions are interconnected, as they are both revenue organisations. Additionally, as revenue organisations they are particularly important in the process of state building as they allow public budgeting for all other public organisations. Studying revenue institutions in transforming countries is important for several reasons. The significance of taxation and revenue institutions in the context of state-building is recognized by a growing strand of literature.

Taxation is vital for state-building because it offers a bargaining focal point between the citizens and the state and because it cultivates tax collecting institutions of high quality. The significance of administrative efficiency and effectiveness of revenue institutions is recognized globally. This realisation has meant that semi-autonomous revenue authorities (SARAs) have been founded in many developing countries in order to increase tax collection. The Kosovo Customs can be considered a SARA organisation, and studying it in comparison with the Tax Administration of Kosovo, can help inform the debate on how SARAs function. Also, normally, transforming countries rely on indirect taxes for revenue, whereas it is direct taxes that help build the connection between taxation and institutional effectiveness in service provision. Kosovo also relies largely in indirect taxation (through VAT collected by KC) to bring public revenue, and this fact makes studying revenue institutions in Kosovo worthwhile as such a study can be valuable for theory and practice related to the importance of indirect taxation.

In the sections above I provided brief justifications for why I propose to undertake this particular research project. I will expand on these explanations further in the literature review, background and methodology chapters. In the following chapters, I will discuss several aspects of societal transformation, focusing on post-conflict state building, and how they impact the performance of institutions. I will also provide a discussion of comparative models of public administration, with a focus on the prismatic society model offered by Riggs. Then I will provide a discussion on the importance of tax institutions in the process of state building. The next chapter will discuss methodological issues and will present the research design. Further, I will look closely at the context of Kosovo, which will serve as the setting for my case study. This will include an overview of how institutions have developed in the post-war period; the role and implications of the state-building process controlled by international organizations (UN, EU) as well as local agents. This will be followed by data analysis, a discussion and conclusions.

## 2 LITERATURE REVIEW

### 2.1 Introduction

In the first chapter above I provided an introduction to my dissertation. In this chapter I will review the literature related to my proposed study. I will cover the literature on post-conflict state building, comparative public administration, political science and organisation theory.

Given that I am proposing to study revenue institutions in a post-conflict context, the literature review will focus on the intersection between public administration, post-conflict institution building, and revenue institutions in transforming countries. The chapter is structured as follows. Firstly, I will provide a summary of post-conflict institution building. Then I will show why studying revenue institutions in transforming countries are important. I will then provide a discussion of the main comparative public administration theoretical models. Due to the importance of comparative public administration literature for my study, I will discuss the traditional theoretical approaches, followed by the new theories influenced by the New Public Administration (NPM), as well as attempts to reconcile the two. Additionally, I will examine contributions from authors writing on the neo-Weberian state. Then I will go back to one of the traditional theories, the prismatic society theory, and discuss its significance for my research. I will explain why I propose to use the prismatic model proposed by Riggs (1964), including his definition of organisational efficiency and effectiveness juxtaposing it with the main approaches to organisational effectiveness from organisational theory. Finally, I will discuss the relevance of the prismatic theory to the case of Kosovo, where I propose to conduct my research.

I cover post-conflict state building because institution building in Kosovo, where I propose to conduct my research, takes place in a post-war environment. And I have included a discussion on revenue institutions as I plan to explore their importance in state building. The bulk of this chapter consists of discussions on the various comparative public administration models. This includes a review of NPM, which is especially important as an alternative theory to the prismatic theory that I propose to use.

## 2.2 Post-conflict state-building

In this section I will discuss state-building, and especially post-conflict state-building and the significance of the state. Modern post-conflict state-building and transitional administration has a varied history and is considered to have begun with the League of Nations administration of the disputed territories of Saar Basin, Danzig and Upper Silesia between the two world wars (Chesterman, 2005, p. 18). After WWII, the first large-scale state-building projects took place in Germany, Japan and Austria (Chesterman, 2005, p. 25), which were followed by various types of international involvement especially in the 1990s such as in Bosnia and Kosovo (Chesterman, 2005, p. 132) (Dobbins, 2003).

State-building is considered to be important based on the assumptions that the sovereign state is the best form of organisation to secure prosperity (Berger, 2006), that the international community must be involved in state-building and that failed states are a threat to other countries (Call, 2008) (Barnett, 2006). Historically, many functions were performed by institutions other than the state, and in the 18<sup>th</sup> century states in Europe began to take over the majority of functions ensuring societal prosperity (Rose and Miller, 1992). In modern differentiated societies the state does not have control over all the facets of society, however it plays a significant role in delivering services in interaction with the various other societal institutions (Jessop, 1990, p. 365). State building efforts are accompanied by democracy promotion and civil society promotion along with attempts to create a market economy. The limitations of the state are recognized and highlighted, and the proposed state to be built is one that serves as an enabler to the market. This approach dominates the debate on the role of the state in society. Whereas the likely success of the state institutions is often measured by how they enable markets to operate.

The successful development of institutions is uneven as state building is a complex process impacted by many factors. One of the key theories of state building is that it must be based on local ownership (Pugh et al., 2011). According to this theory nation building is more likely to succeed if local people are involved in the process and increased political participation and contestation leads to more effective public service provision (Scott, 1998). However this view has been challenged by the theory that institutions must be insulated from the society in order for them to be successful (Geddes, 1994). This latter theory is in line with the work of sociologists such as Selznik (1948) who argue that

effective organizations require a certain level of autonomy.

The “local-ownership” view (Scott, 1998) seems to make assumptions about the nature of political participation and contestation that can take place in transforming societies . These are closely linked to the issues of political representation and the ideological constrictions of political contestation. As I will show in the background section on Kosovo, political representation was designed along ethnic delineations. The second view, which promotes insulation of public organisations from society, runs the risk of creating undemocratic institutions.

There are two main criticisms of state-building agenda, one focuses on the neoliberal nature of state-building (Barbara, 2008), while the other focuses on the state itself and whether the international community should be building states or alternative forms of governance (Devetak et al., 2011, pp. 418–419). The need for local “ownership” is recognized, and the “unbundling” of sovereignty into a technical concept as opposed to a national right is criticized (Pugh et al., 2011).

Although the critique of state building is informative, it lacks sufficient focus on the actual processes of institution-building that take place. Institution-building is seen in terms of the level of involvement of local versus international staff (Chesterman, 2005) whereas the issue of which type of local officials must be hired and what type of training they should receive is left out of the discussion. With regard to public administration in state-building, meritocracy is raised as an issue (Pugh et al., 2011), however it is discussed only as being part of a trade-off with ethnic representation. The two need not be mutually exclusive and a greater scrutiny of the issue of meritocracy in state building and institution building would be very informative for both the theory and practice of state building.

Post-conflict reconstruction literature has often drawn from development and transition literature and is parallel to it as it deals with similar issues such as political and economic development. Post-conflict state-building literature has identified three key areas, namely rebuilding legitimacy, establishing security and rebuilding effectiveness (Brinkerhoff, 2005). My research project largely falls in the third group mentioned here, which focuses on effectiveness of institutions. As I will show below, and in the background chapter, this area is not very well researched, as studies on state-building in Kosovo have focused on

representation or legitimacy, rather than institutional effectiveness.

So far, research on post-conflict state building has identified several key common themes. The first is that post-conflict reconstruction assistance has many similarities with development assistance. Some of the similar problems include building on existing capacities, accurately evaluating the social, political and institutional environment, planning donor policies according to local needs, and recognising the influence of external assistance on local incentives (Brinkerhoff, 2005, p. 9). Second, there are linkages among the three governance dimensions, legitimacy, effectiveness and security, and these three dimensions influence each other (Brinkerhoff, 2005, p. 10). For instance, creating effective institutions, and providing security is likely to lead to greater legitimacy of the political regime.

Third, often the concept of rebuilding is not appropriate and simply building new institutions is what is needed, due to the negative perceptions of previous systems (Brinkerhoff, 2005, p. 11). This relates to the case of Kosovo, where pre-war institutions were highly discriminatory to the Kosovo Albanian majority and there was no interest in rebuilding them (Clark, 2000). Fourth, the right balance between local and national authorities needs to be found as too much centralisation or too weak a national government can threaten state-building efforts (Brinkerhoff, 2005, pp. 11–12). The case of Bosnia where the Dayton Accords created a loose federal structure is often used as an example of decentralisation threatening state-building (Willigen, 2013). And finally, the relationship between new and traditional governance structures is important. Building new institutions and seeking legitimacy through relying on traditional informal institutions requires a fine balancing act (Brinkerhoff, 2005, p. 12). Traditional informal institutions can impede the creation of effective institutions and the trade-off between legitimacy and effectiveness may be costly for effectiveness (Grimm and Merkel, 2008).

There is one group of institutions that have received special attention in state building research. They are the revenue institutions. They play a very important role for state building, as I will show in the next section.

### 2.3 Revenue institutions, state-building and development

A significant strand of research on state building and institution building has focused on taxation in developing countries. I will discuss this briefly in this section. However, first, I will look at the issue of taxation and tax collection in general.

Tax collection is an important aspect of taxation and the type of collection can impact revenues greatly. Historically, traditional states relied on institutions such as tax farming for revenue, where taxing rights were auctioned off to individuals by the state in return for a bidding sum. Some traditional states such as the Ottoman empire, had relatively sophisticated tax collection methods and made the connection between revenue raising and spending and legitimacy (Darling, 1996). There was a transition from privatized tax farming to government-administered taxation with the onset of modernity in European countries (White, 2004). This led to the development of bureaucracies responsible for tax collection.

Besides the types of tax collection, there is a debate about optimal taxation. This includes discussions on optimal income taxation (Mirrlees, 1971). Very important for transforming countries is the discussion on tax structure design, specifically with regard to direct versus indirect taxation (Atkinson and Stiglitz, 1976). Generally, transforming countries rely on indirect taxes for revenue, whereas it is direct taxes that help build the connection between taxation and institutional effectiveness in service provision.

There are costs in revenue collection and there have been efforts to determine the optimal size of a tax collection agency (Slemrod and Yitzhaki, 1985). Also, optimal taxation and enforcement expenditure is discussed and it is considered that increasing expenditure in tax collection is preferable to higher tax rates for revenue (Kaplow, 1990).

Semi-autonomous revenue authorities have been established in many developing countries in order to improve tax collection. However, in the context of transforming countries increased effectiveness in tax collection may be linked to neopatrimonialism, the patron-client relationship institution prevalent in those countries (Erdmann and Engel, 2007). The creation of a semi-autonomous revenue agency in Zambia led to higher revenues, and in turn this may have fed neopatrimonialism (Soest, 2007).

Another proposed solution to low revenues in transforming countries is performance-based compensation. This too can create problems of its own as shown by the example of Brazil. Performance-based wages in tax collection in Brazil led to high growth in fines per inspection (Kahn et al., 2001). The discussion on tax administration extends to the local level as well (Mikesell, 2007).

The importance of administrative efficiency of revenue institutions is recognized by a variety of researchers. Bird (n.d. cited in Gillis, 1989, p. 315) argues that administration must be given a central place in any considerations of tax reform. Other authors such as Taylor (1967), Heller (1964) and Sommerfeld (1966) have brought attention to the importance of administrative competence in taxation.

Researchers seem to suggest there is a trade off between fiscal policy and administration in policy making. Surrey (1958, p. 158) argued that tax administration was being neglected at the expense of focusing on tax policy. Also, the problem of “formalism” – which I will discuss in the section on Models for comparing public administration – is recognized. Hinrichs (1962, p. 139) talked about “divergences between form and substance,” which are more likely to be present in developing countries. He warned against formal tax reform without changes in “administrative-procedural foundations” (Hinrichs, 1962, p. 139). Radian (1980) found that administrative reform itself does not lead to increases in revenues. He cautions against formal administrative reforms which are not accompanied by “changes in content” (Radian, 1980, p. 233).

The issue of corruption arises in the research of tax institutions in transforming countries, as well. Kaldor (1963) argues that it is possible to eradicate corruption and inefficiency by creating an administration with permanent officials, with high salaries and status and prospects of promotion. He uses the example of the Chinese Maritime Customs in Imperial China, which operated efficiently in a context of widespread administrative inefficiency (Kaldor, 1963, p. 416).

The importance of taxation in the context of state-building is recognized by a growing strand of literature, which Keen (2012, p. 19) terms the “new fiscal sociology”, and whose main theme is that taxation is important for state-building because it provides a bargaining

focal point between the citizens and the state and because it develops tax collecting institutions of high quality. The importance of taxation for state-building is recognized by international organisations as well, as seen in reports published by the European Commission (2010) and OECD (2008). Brautigam and *et al.* (2008) have stressed the significance of revenue institutions for state-building. Brautigam (2008, p. 1) argues that taxation contributes to state-building in two ways, first through bargaining which leads to a social contract, and second through revenue collection which provides an institution-building stimulus.

One important theme in state-building literature focuses on the link between paying taxes and public spending, and earmarking has been proposed as a solution (Brett and Keen, 2000). Another is the issue of taxing small and micro enterprises, which implies a trade-off between high administrative costs on one hand and economic and political benefits of their formalisation (Everest-Phillips, 2008) and inclusion in the tax base which would lead to demands for accountability on the other (Keen, 2012, p. 21). Both these proposed policies are supposed to increase accountability in governance by increasing the tax base and strengthening the social contract. Moore *et al.* (2007) argue that taxation is important for good governance which they define as consisting of responsive, accountable and capable (political and administrative) institutions. Whereas, Altunbas and Thornton (2011) provide empirical evidence from cross-country studies that taxation leads to improved governance, with direct taxes having a stronger impact.

Another important theme of research on taxation is the impact that foreign aid has on tax development. The literature on fiscal response to foreign aid in developing countries provides mixed results. There are findings that foreign aid has a negative effect on taxation, similar to the effect of resource rents (Keen, 2012, p. 22). McGillivray (2009) finds in the Philippines that aid is associated with lower taxation and other recurrent public revenues. Feeny and McGillivray (2010) also discover in Papua New Guinea, a “fragile state”, that foreign aid decreases tax revenues. Cashel-Cordo and Craig (1990, p. 31) find that foreign aid leads to a statistically insignificant decrease in taxes and other revenues in least developed countries. Franco-Rodriguez and Morrisey (1998) find in Pakistan that foreign aid leads to lowered tax efforts, whereas McGillivray (2000) finds that aid did not have any impact on tax and other revenues. On the other hand, Ouattara (2006) finds from panel data of aid recipient countries that foreign aid does not lead to reduced revenue

collection. Aid dependence has also been found to have a negative impact on the quality of governance (Knack, 2001).

In order to understand better the relationship between revenue institutions, public administration institutions in general and state building, I propose to review the comparative public administration theory. This is important as state building takes place in a variety of contexts across the globe. Below I will look at several models of comparative public administration, before selecting one where I will ground my analysis.

## 2.4 Models for comparing public administration

In this section I will provide a summary of the comparative public administration models. I will explain how they relate to each other and how each contributes to the debate. Also, I will show which models are more relevant for the research that I propose.

There is extensive research on public administration and its related concepts of bureaucracy and civil service (Shafritz and Hyde, 2015). The three concepts are often used interchangeably, despite slight differences between them (Frederickson et al., 2015). The discussion on bureaucracy can be grouped in two main strands. The word “bureaucracy” has negative connotations, and it is often seen as something undesirable. In developed countries it is juxtaposed with the concept of democracy and is seen as detrimental to the latter (Peters, 2002). However, in the context of transforming countries bureaucracy could be seen in contrast to the patrimonial and clientelistic public administration (Rauch and Evans, 2000). Thus bureaucracy is seen as something desirable and necessary for improved state capacity to shape the transformation process (Amsden et al., 1994; Brautigam et al., 2008). Also, in the context of developed countries, after a period of domination of New Public Management concepts, the idea of Weberian style bureaucracy has experienced a revival due to the reliability and obedience of bureaucrats (Schofield, 2001). Importantly, there is discussion of a neo-Weberian turn after decades of New Public Management (Pollitt and Bouckaert, 2011) (please see section on neo-Weberian state below).

Before I move on to discuss the comparative public administration models, I will provide the Weberian concept of bureaucracy. Weber (1998, pp. 196–198) defined bureaucracy as

having the following characteristics:

- 1 Having fixed and official jurisdictional areas, ordered by rules.
- 2 Having a hierarchy, whereby lower offices are supervised by higher ones.
- 3 Having a system of written documentation (“the files”).
- 4 Having expert training.
- 5 Having the availability of the full working capacity of the official.
- 6 Having general rules which are more or less stable, exhaustive and can be learned.

Bureaucracy has been widely studied in the context of comparative public administration (Henry, 2015). The terms bureaucracy and civil service are used interchangeably, however in either case they are discussed in relation to the state or polity (Morgan and Perry, 1988). There are several models of comparative public administration that study bureaucracy. I will discuss these models in the following sections and determine which one is more appropriate as theoretical grounding for this research.

The study of public administration comparatively has developed largely after WWII. There are several trends that can be discerned, with initial research focusing on theory building, followed by criticism and later synthetic approaches (Raadschelders and Vigoda-Gadot, 2015). Summarizing theoretical work on comparative public administration Welch and Wong (1998) outline three types of theoretical perspectives, the traditionalist, revisionist and synthetic. The first one focuses on the social, economic and political contexts represented by Riggs (1964) and Heady (2001). The second perspective focuses on the organization, people, power and behaviour represented by Peters (1996). The third perspective is organisational and incorporates global pressures as environmental forces in its focus represented by Ryan (1994) (Welch and Wong, 1998, p. 44). Below I will provide a summary of the main models of public administration proposed by these key authors.

Table 1: Frameworks of comparative public administration

Model	Traditionalist	Revisionist	Synthetic
Social, economic and political context	Riggs, Heady		
Organisastion, people, power and behaviour		Peters	
Organisation and environmental factors (including global factors)			Ryan, Welch and Wong

#### 2.4.1 Ecological models

Some of the most influential authors on comparative public administration are proponents of so called ecological theories (Chapman, 1966) (Heady, 2001). These theories suggest that public administration is greatly impacted by the social and political conditions in any given country. They often discuss public administration, bureaucracy and civil service in relation to the state and political institutions. Based on different types of polities there are variations in the civil service. Morgan and Perry (1988, p. 90) argue that there are three types of polities: transcendental, instrumental and process or symbolic. In the transcendental polity the state is dominant over civil society and it is a sociological rather than a legal construct (Morgan and Perry, 1988, p. 90). In this type of polity the role of civil service is to support the stability of the state due to persistent conflict. In the instrumental polity civil society influences government through representative political and administrative arrangements (Morgan and Perry, 1988, p. 91). There are two key perspectives on the instrumental polity. First, is the rational choice perspective, based on which the civil service is efficient, competent, decentralized and without administrative discretion (Morgan and Perry, 1988, p. 91). The second perspective is based on the fulfilment of duties and obligations emerging from politically defined norms and institutions (Morgan and Perry, 1988). In the process or symbolic polity, the social ritual of process, although potentially inefficient, legitimizes outcomes (Morgan and Perry, 1988, p.

93). In this type of polity rational administration often exists in planning units only, and public sector employment serves political purposes (Morgan and Perry, 1988, p. 93). The symbolic polity is similar to the concept of the prismatic society proposed by Riggs, which I will discuss below.

Riggs (1964) devised the concept of the prismatic society to describe societies in transition from tradition to modernity where the traditional institutions have been disrupted, but the modern institutions have not yet been established. He uses the analogy of the diffracting of the light through a prism to explain how traditional institutions that are fused (perform more than one function) after going through transition are then diffracted (each institution performs its own function). According to Riggs (1964), the prismatic societies are, as the light in the prism, not anymore fused, but not yet fully diffracted. Fused elements of the society coexist with diffracted ones. Traditional and particularistic values coexist with modern and universalistic ones. Riggs (1964) argues that as societies embark on the process of transition to modernity, the number of “prismatic” individuals’ increases. And as societies modernize, leaving the transitional period, the number of “prismatic” individuals’ decreases. In a prismatic society, public institutions are staffed with prismatic individuals. They are likely to hold particularistic values, however they are compelled to proclaim universalistic values do to the modern outlook of the institutions. This duality can lead to public servants holding more than one set of values and norms that I will discuss below.

Table 2: Riggs' prismatic society model

Riggs	Tradition	Transition	Modernity
Society	Fused	Prismatic	Diffractioned
Administration	Traditional administration (prebends, tax farming etc.)	Sala	Bureau

Riggs (1964) used the term “sala” to describe public administration in prismatic societies. According to Riggs, the sala model of public administration is prevalent in prismatic societies, or societies undergoing transformation. The “sala” model developed by Fred Riggs (1964; 1973) is contrasted to the Weberian “bureau” model of public administration. According to this model, the sala is defined as an office where the mandated activity of the bureaucrat is conducted, but it also serves as an arena where the bureaucrat will conduct personal and political business. This creates inefficiencies in public administration.

In terms of efficiency, Riggs (1964) argues that prismatic bureaucracies are less efficient, however more effective than fused (traditional) ones. Further he states that prismatic bureaucracies are less efficient than diffractioned ones. Riggs’ (1964, p. 263) definition of efficiency refers to the relative cost of accomplishing an objective. Whereas he defines effectiveness as the extent to which a given objective is carried out (Riggs, 1964, p. 263).

Riggs (1964) delineates four facets of prismatic bureaucracy that require special consideration. Specifically, low salaries and overstaffing; over-rights and under-rights (the informal relationships between superiors and subordinates); bureaucratistic recruitment (appointments based on considerations of power and financial position); and centralization (Riggs, 1964, p. 293).

Concerning low salaries and overstaffing, Riggs (1964, p. 293) claims that insufficient public revenues lead to the budgetary restraints to pay public servants. While prismatic forces cause the increase of the number of staff in public service, the average salary

decreases below the contextually outlined standard of living (Riggs, 1964, p. 293). Riggs (1964, p. 293) also claims that prismatic administration is overstaffed. He expounds that in a prismatic society there is a proliferation of schools which turn out more graduates who find little or no private employment (Riggs, 1964, p. 295). In such a context public bureaucracy is most attractive form of employment (Riggs, 1964, p. 295). Therefore in the prismatic public administration there is proliferation of sections, divisions, and departments as a means to provide new governmental services (Riggs, 1964, p. 295).

The second aspect of prismatic institutions identified by Riggs (1964, p. 297) is “over-rights and under-rights”. He defines over-rights as duties paid to superiors by subordinate officials, and under-rights as duties of superiors officials to subordinates (Riggs, 1964, p. 297). This means that superior officials make sure that their employees have access to informal networks that ensure opportunities for advancement and additional sources of income. In turn subordinates pay for the informal patronage of their superiors. One way in which under-rights are played out is through non-performance of official duties (Riggs, 1964, p. 298). This often results in influence-peddling by officials that is related to non-performance of official duties (Riggs, 1964, p. 298).

Third is bureaucratistic recruitment. Riggs (1964, p. 295) suggest that in prismatic institutions even though appointments, promotions and transfers are made to formally meet explicit administrative requirements, their underlying function has to do with variations in the power and financial position of executives and their supporters. Thus at the formal level requirements of job descriptions must be met, and at the informal level criteria for appointment are personal loyalty and willingness to participate in income supplementation schemes.

Finally, Riggs (1964, p. 300) outlines centralisation as a feature of prismatic organisations. He contends that senior executives in a prismatic bureaucracy are reluctant to delegate authority for fear of losing all control (Riggs, 1964, p. 300). Furthermore, senior managers are obliged to defend their over-rights (Riggs, 1964, p. 300). Centralisation may happen even as they are undergoing “decentralisation” reforms. Often decentralisation reforms are likely to lead to more centralisation within prismatic institutions.

In addition to the four facets of prismatic bureaucracy discussed above, Riggs (1964, p.

273) talked about four related features, namely “bureaucratic power”, lack of meritocracy, formalism, and mimesis. When talking about bureaucratic power Riggs (1964, p. 273) is referring to the relative strength of the bureaucratic institutions compared to political institutions due to the fact that in newly independent countries bureaucratic institutions had existed from the colonial period, whereas political institutions were created after independence. The issue of meritocracy is related to the problems of bureaucratic recruitment and overstaffing discussed above (Riggs, 1964, p. 275). Further, Riggs (1964, pp. 277–281) argues that prismatic bureaucracies suffer from a high degree of formalism, defined as the gap between what is formally proclaimed and what is enacted. Finally, he argues that prismatic bureaucracies are highly mimetic, meaning they imitate institutions of developed countries, especially former colonial metropolises (Riggs, 1964, p. 279). I propose to inquire about these four features of bureaucracy and see how they are related to efficiency and effectiveness.

It is important to note that Riggs proposed his theory in 1964, relying on data and studies mainly from the 1950s and early 1960s. Naturally the context of that period is different from the contemporary period. The intervening decades have seen many developments in transforming countries, most notably the relatively high economic growth and industrialization in the 1960s and 1970s and the subsequent deindustrialization beginning in the 1980s. These phenomena are bound to have lasting impacts on public institutions, as Riggs himself argues. Therefore the findings of this study may not entirely conform to Riggs’ views on prismatic societies.

I summarised the key points of Riggs’ prismatic model of public administration above. As a societally based model, it claims that transition processes heavily influence public administration. In the next section I will summarise another societally based public administration model, which was outlined by Heady.

Besides Riggs, Heady is considered one of the major authors in comparative public administration literature. Ferrel Heady (2001) proposes using five variables to compare public administration across countries. They are: 1) relationship of the civil service to the political regime; 2) socio-economic context of the system; 3) the focus for personnel management functions of the system; 4) qualification requirements to join the system; and 5) sense of mission which civil servants hold (Heady, 2001). Resulting from the interaction

of these variables, Heady (2001, p. 84) identifies four groupings of civil services systems, namely, ruler trustworthy, party controlled, policy receptive and collaborative.

Figure 1: Heady's five variable model

Variables	Ruler Trustworthy	Party Controlled	Policy Receptive	Collaborative
Relationship to political regime	Ruler responsive	Single party or majority party responsive	Majority party responsive	Military responsive
Socio-economic context	Traditional	Corporatist or planned centrally	Pluralist competitive or mixed focus	Corporatist or planned centrally
Focus for personnel management	Chief executive or ministry-by-ministry	Chief executive or ministry-by-ministry	Independent agency or divided focus	Chief executive or ministry-by-ministry
Qualification requirements	Patrimony	Party loyalty or party patronage	Professional performance	Bureaucratic determination
Sense of mission	Compliance or guidance	Compliance or cooperation	Policy or constitutional responsiveness	Cooperation or guidance
Examples	Saudi Arabia, Iran, Brunei	China, Cuba, Egypt	France, Great Britain, United States	South Korea, Indonesia, Ghana

The criticism of this model is aimed at its purported focus on the nature of political regime. While the relationship of the civil service with the political regime is the dominant variable in all the possible configurations, whereas its choice of other variables suggests that other societal factors may play a stronger role in determining on the observed processes. This means that there is a high probability of covariance in this model, as many of the variables are strongly correlated (Oszlak, 2013).

Both Riggs and Heady propose comparative models which focus on the wider societal context to study public administration. Whereas Riggs' prismatic model is based on three

key stages of transformation from tradition to modernity, Heady’s configurations based on five variables are create a matrix of diverging examples without necessarily providing information on levels of social transformation. Also, Riggs’ focuses only on “prismatic” transforming societies, whereas Heady includes industrialized societies among his configurations. In any case, it would be difficult to position civil service systems on such a matrix, as was found by Verheijen *et al.* (1999) who used Morgan and Perry’s parameters and Heady’s configurations.

Heady’s model looks like an attempt to categorize the various types of civil services existing within the wide “prismatic” category that Riggs talks about. Heady’s policy receptive type corresponds to Riggs’ diffracted type of bureaucracy. The three other types in Heady’s model (Ruler trustworthy, party controlled and collaborative) could fall within Riggs’ prismatic category. Heady’s contribution is in providing more detailed categories for bureaucracies that we would recognzie as prismatic.

Another approach to comparing bureaucracies similar to Heady’s is one developed by Heper (1985) who proposes a global comparative model using the concept of degrees of stateness, and identifying four types of polities and six types of bureaucracies. The polities are: personalist, ideological, liberal and praetorian. In the first polity, bureaucracy is of the type of “personal servant”. In the ideological polity, three types of bureaucracy can manifest, the “machine model”, the Bonapartist, and the party-controlled bureaucracy. In the liberal polity, there is a Weberian “legal-rational” bureaucracy, and in the praetorian polity the spoils system dominates (Heper, 1985) (Heper, 1987).

Table 3: Heper's polity based model

Polity type	Personalist	Ideological			Liberal	Praetorian
Bureau-cracy type	Personal servant	Machine model	Bonapartist	Party-controlled	Weberian legal-rational	Spoils system

Compared to Heper’s “degrees of stateness” model both Riggs’ prismatic model and Heady’s five-variable model focus more on the relationship between bureaucracy and

political regime. Unlike the Riggsian model, this model does not focus sufficiently on the problem of balance between bureaucracy and other public institutions (Hawkesworth and Kogan, 2013, p. 326).

If we contrast and compare the three above-mentioned models, relative to the Riggsian model, both Heady and Heper seem to be attempting to delve deeper into the various types of bureaucracy that might exist within the wide notion of “prismatic” societies. Heady’s “policy receptive” type of bureaucracy and Heper’s “Weberian legal-rational type,” are similar to the Weberian “bureau” model that Riggs talks about. He contrasts the “bureau” to the “sala” model that he claims is prevalent in prismatic societies. All the other types, besides “policy receptive” and “Weberian legal-rational” of Heady’s and Heper’s bureaucracies can be considered to be variations of the sala model. Riggs does not make an attempt to differentiate between various types of sala bureaucracies that might exist. He does though talk about the variations on the number of prismatic individuals that can exist between societies, with implications for bureaucracy as well. He makes the argument that as societies become more diffracted through industrialization and modernization the number of prismatic individuals decreases. This is in line with the modernization theory of political development (Huntington, 2006) as well as the findings of variations of acceptance of “universal” values of public administration between “prismatic” immigrants and “modern” locals in Israel (Katz and Eisenstadt, 1960). Also, similar views were proposed more recently by Triandafyllidou (2001) and Peters (2002) with regard to the impact of immigration on the efficiency of public administration in modernized European countries.

I will now move on to a different category of comparative public administration model, organisation based models. In the following section I will discuss such models including NPM and its criticism. I will come back to the prismatic model at the end of this chapter due to its relevance for my research.

#### 2.4.2 Organisation based models

Besides the ecological or “traditional” approaches discussed above I will summarise a “revisionist” comparative public administration approach. Such a theoretical model of

comparing public administration is proposed by Peters (1996). He outlines four models of governance: market, participative, flexible and deregulated each characterised respectively by decentralisation, flatter organisations, “virtual organisations,” and “no particular structure” (Peters, 1996) (Heady, 2001). This model is focused at the meso level and looks at organisations, people, behaviour and power (Welch and Wong, 1998). It proposes using cross national studies of dependent variables and it is criticized for relying on simplistic assumptions regarding national similarities (Welch and Wong, 1998)

Table 4: Peters’ governance based model

Governance model	Market	Participative	Flexible	Deregulated
Administrative characteristics	Decentralisation	Flatter organisations	“Virtual organisations”	“No particular structure”

In comparison to the Riggs and Heady models that focus on the social level, Peters focuses on the organisational level. This model does not seem to address transforming countries sufficiently. Whereas three out of four of Heady’s civil service types deal with transforming countries, none of Peters’ “governance models” addresses them directly. Subsequently, it is difficult to compare this model with the ecological ones. Thus as a research tool it might be more useful in studying public administration in industrialized countries.

#### 2.4.2.1 The New Public Management (NPM) and its critique

The New Public Management was born from the criticism of the traditional model of public administration. The concept of Reinventing government was used in the United States and was introduced by the Clinton Administration in 1993 as an effort to achieve cost effectiveness. Gaster (1999) summarized the main characteristics of NPM as described by OECD. Namely, a focus on results, decentralisation, alternatives to direct service provision, productivity targets and central guiding of reform processes (Mathiasen, 1999) (OECD, 1995).

NPM was also a result of attempts to put the focus on the ‘public’ aspect of public

management (Mathiasen, 1999). This was meant to be achieved by taking into account citizen preferences in designing policies and providing services. NPM sought to imitate the private sector in providing public services. The concept of service users as 'customers' was borrowed from the private sector. What NPM entailed was an exchange between larger flexibility for managers and line staff on one hand, and more accountability from the same, on the other.

An important aspect of NPM is performance measurement, which is useful for managers in developing and justifying budgets (Hood, 1991). As defined by Alfred Ho (2003) performance measurement is the use of quantitative measures to regularly measure the results and efficiency of public programs that clients, customers and stakeholders expect.

NPM was also characterized by restructuring of government. One phenomenon which was common in Europe was a shift towards decentralization and devolution (Peters et al., 1998). Also, there was an increase in specialized organizations. Two key aspects of restructuring were a de-coupling of policy from operations and an attempted move towards integrated service provision. However, such restructuring was undermined by embedded interests within bureaucracies. A focus on accountability was another aspect of NPM, because of the belief that it leads to better performance (Dubnick, 2003).

It is important to understand how the public management debate is relevant for transforming countries. The developing and former communist countries are faced with challenges that are often different from those in the developed world. The political and economic transition is an enormous challenge and many countries have dealt with it in various ways. Also, the decrease in economic activity and deindustrialisation in the 1990s has left many people in poverty and unable to access services. The disintegration of federal states accompanied by war and ethnic conflict has led to new situation where the needs of several countries in Eastern Europe are even more acute. We have seen efforts of state-building including strong involvement of the international community and especially, the World Bank, IMF and the European Union (EU). All these challenges put an enormous strain on public institutions. Therefore, the new public management debate is highly relevant for transforming countries.

The application of NPM in transforming countries has not been uniform (Manning, 2001;

Otenyo and Lind, 2006; Dunn and Miller, 2007). In several cases it could not be applied due to corruption and low administrative effectiveness (Polidano, 1999). NPM has been criticized for not being adequate for the context of transforming countries (Dunn and Miller, 2007; Mathiasen, 1999; Borins, 1998; Hope, 2001). In the transitioning countries of Central and Eastern Europe (CEE) there is a shift in emphasis from efficiency to effectiveness, and a need for capable state structures along the lines of the Neo-Weberian State (Katell et al., 2005). Therefore, several authors aim to revive the Weberian model, as the only model which can provide a quality Public Administration and quality Civil Service (Katell et al., 2005; Rauch and Evans, 2000). The Weberian model, with its "principles of merit selection (impersonality), hierarchy, the division of labour, exclusive employment, career advancement, the written form, and legality," is very close to the principles of recent reform efforts of "reliability and predictability, openness and transparency, accountability, and efficiency and effectiveness" (Katell et al., 2005, p. 96). This echoes the views of Kochanowicz (1994), who argued for the need of a "developmental state".

NPM sought to challenge the traditional model of public administration based on insights from the private sector. Yet it is questionable, to what extent was the proposed private sector model a very accurate one, and whether its critique of bureaucracy was accurate. NPM's main assumptions were that the business model is always more efficient and hereby cheaper; and, government is inefficient and therefore it is more expensive. Yet, these assumptions are difficult to prove from experience.

NPM brings business concepts and techniques in the public sector and is based on the neo-liberal view of the state and economy (Dreschler, 2005). The fundamental differences between the public and private sectors make NPM unworkable. The state, and especially a democracy, in order to serve the public good, needs to focus on attention to regularity, transparency, and due process. And, NPM with its emphasis on low costs and speed, sees these as liabilities (Peters and Savoie, 1994).

In the 1990s there was dissatisfaction with the NPM model due to several reasons as identified by Bovaird and Loffler (2003). Firstly, public sector bodies could not solve so-called 'wicked problems', even when they were 'economical, efficient and effective' as prescribed by NPM. Second, instead of antagonistic relations in contracting procedures,

partnership relations with private sector companies became more important. Third, NPM outlined a too 'consumerist' and narrow role for citizens, whereby they were only consulted as service users while their roles in co-planning, co-designing and co-managing as part of communities were ignored. Fourth, service performance was not actually an issue in the government performance scandals; rather it was the way government officials conducted. Fifth, service delivery had to be designed with long-term sustainability in mind, and organizations couldn't afford to simply aim for achieving objectives in a specific service.

Looking at 'post-bureaucratic' models of regulation, Maroy (2009) finds that even though they were supposed to weaken the role of the state through assigning it an 'evaluative' role or instituting a quasi-market in providing services, the role of state institutions remains strong, and often is reinforced either because the reform is more often rhetoric, such as in France, or because deconcentration of power to regional authorities ends up encouraging centralization such as in Portugal.

In this sub-section I talked about the organisation-based approaches to comparative public administration. They are considered revisionist in relation to the traditional or classical ecology-based approaches. NPM has had a significant role in the rise of the organisation-based meso level theories. In the following sub-section I will discuss attempts to synthesise the two types of theories.

#### 2.4.3 Neo-Weberian State

One of the most important concepts in public administration is the Neo-Weberian State (NWS). Pollitt and Bouckaert (2011) coined the term in 2000 to describe the reform efforts taking place in continental European states – attempts to modernize bureaucracy through professionalization, efficiency and citizen orientation. According to them the key elements of NWS are the four "Weberian" ones:

- "Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalisation, technological change, shifting demographics, and environmental threat

- Reaffirmation of the role of representative democracy (central, regional, and local) as the legitimating element within the state apparatus
- Reaffirmation of the role of administrative law- suitably modernized – in preserving the basic principles pertaining to the citizen state relationship, including equality before the law, privacy, legal security, and the availability of specialized legal scrutiny of state actions“ (Pollitt and Bouckaert, 2011, p. 118);

And the four “neo” ones:

- “Shift from an internal orientation towards bureaucratic rule-following towards an external orientation towards meeting citizens’ needs and wishes. The primary route to achieving this is not the employment of market mechanisms (although they may occasionally come in handy) but the creation of a professional culture of quality and service
- Supplementation (not replacement) of the role of representative democracy by a range of devices for consultation with, and the direct representation of citizens’ views ...
- In the management of resources within government, a modernization of the relevant laws to encourage a greater orientation on the achievement of results, rather than merely the correct following of procedure. This is expressed partly in a shift in the balance from ex-ante to ex-post controls, but not a complete abandonment of the former. It may also take the form of a degree of performance management
- A professionalization of the public service, so that the “bureaucrat” becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his/her citizen/users” (Pollitt and Bouckaert, 2011, pp. 118-119).

Pollitt and Bouckaert (2011) as well as other authors are aware of the normative usefulness of the NWS concept. They note that, especially in Eastern Europe the concept has found

relevance as a model that can serve the rebuilding of post-communist public administration (Pollitt and Bouckaert, 2011, p. 119) (Randma-Liiv, 2008) (Drechsler, 2005) (Verheijen, 2007). They also recognize that the concept is relatively underdeveloped and is prone to criticism about its usefulness as an explanatory framework (Pollitt and Bouckaert, 2011, p. 119) (Lynn, 2008). Further they argue that NWS represents a path dependency, namely the view that the state is well positioned to support its citizens and create positive political value such as legitimacy; and that it is likely a response to globalisation by former corporatist regimes in defence of the European social model from global neoliberalism (Pollitt and Bouckaert, 2011, p. 120). NWS is a relevant concept for this study, given Kosovo's experience as a former communist country. I will discuss in the sections below how it relates to the models of comparative public administration that I am examining and how useful it is for my research.

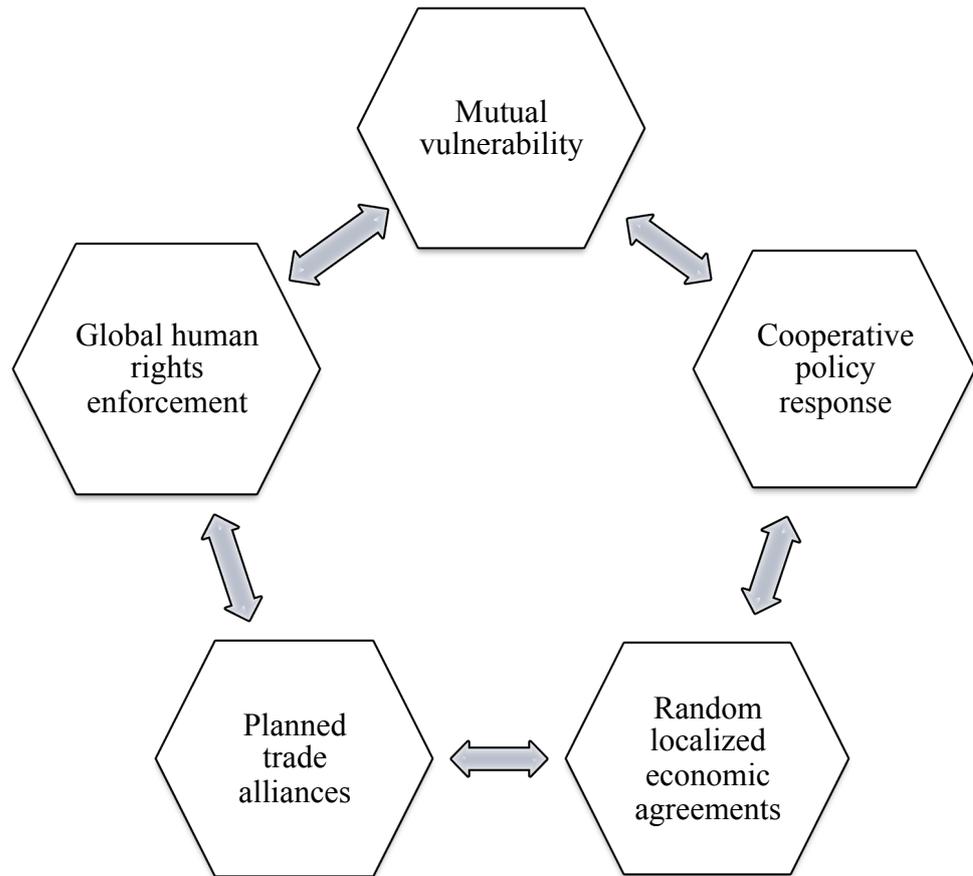
#### 2.4.4 Synthetic models of comparative public administration

In addition to the two main types of theories on comparative public administration – the traditional and revisionist – there is a third type that aims to synthesise the previous two. The development of this approach is related to the criticism of New Public Management. Next, I discuss synthetic models of comparative public administration.

##### 2.4.4.1 The interdependence model

Finally, let us look at a representative of the synthetic approach to comparative public administration. I will summarize a model proposed by Ryan (1994) as a representative of this approach. He outlines a model of public administration based on interdependence. According to this model “the spread of democracy and economic well-being has increased egalitarianism at the expense of international hierarchical relationships” (Ryan, 1994, p. 25). Five features of this model are, mutual vulnerability, cooperative policy response, random localized economic agreements, planned trade alliances and global human rights enforcement (Ryan, 1994, pp. 25–26). This model of public administration represents a strand of research that aims to bring together approaches that focus on the meso and macro levels by focusing at the organisational level and recognizing global and environmental pressures on bureaucracy (Welch and Wong, 1998)

Figure 2: Ryan's interdependence model



The interdependence model proposed by Ryan seems to assume that there was a worldwide spread of both democracy and economic progress. This is not necessarily the case, as many countries that have begun their democratic transition have remained stuck in transition (Carothers, 2002), and economically many countries have stagnated with economic fortunes diverging (Pritchett, 1997). Neither widespread democratization nor economic growth can be assumed. In fact, what may look like democratization can be formalistic adoption of democratic institutions without real democracy. In the discussion below I will show how this dichotomy between formal declared institutions and informal ones is crucial and how Riggs' prismatic model is appropriate to study it in transforming countries.

I have described above the three main types of theories on comparative public administration, the ecological, organisational and synthetic. The ecological models are considered classical views on comparative public administration and the two key authors are Riggs and Heady. The organisation based or meso level models are viewed as revisionist. The main scholar of this approach is Peters. And the third key approach is the

synthetic one that aims to integrate the two previous approaches. Ryan as a major author represents this approach. Whereas Riggs' prismatic model and Heady's five variable model of public administration represent attempts at building grand theories in the "traditionalist" approach, Peters' governance based model represents "the revisionist" approach which aims to build scientific methods and testing, while Ryan's interdependence model is representative of the attempts to bridge these two approaches (Welch and Wong, 1998, p. 44). In the next section I will discuss the prismatic model proposed by Riggs and why I propose to use it in my research.

## 2.5 Significance of Riggs' prismatic model, its critique and application

At the beginning of this chapter I talked about classical models of comparative public administration. After discussing revisionist organisation based models and synthetic ones, I now come back to the theory of prismatic society developed by Riggs. Below I will show where it has been applied and I will discuss its critique as well as its relevance for my study. The literature related to the theory of prismatic society is quite extensive. The ecological approach to public administration has been adopted by many scholars. However, although Riggs' theory is often quoted, it is rarely engaged with in a detailed manner.

Since its publication Riggs' theory of prismatic society has been both utilized and criticized by social scientists studying comparative public administration. Some of the harshest critiques hold that the theory is too Western-centric (Arora, 2003) (Monroe, 1970) and too general (Subramaniam, 2000). Here I will provide a brief overview of literature that has built upon/supplemented the prismatic society model.

The prismatic society model and the ecological approach to public administration in general have informed diverse studies. These range from the implementation of crime policy in American cities (Bond and Gebo, 2012) to Chinese public administration (Liu and Li, 2013) and to the study of development, security and fragile states (Carment et al., 2009). Below I will show why the prismatic theory is still highly relevant in comparative public administration. I will also provide a summary of its critique as well as its utilization by researchers.

### 2.5.1 Relevance of prismatic theory for comparative public administration

Riggs' prismatic model represents the most coherent theory and Riggs remains the most authoritative author on comparative public administration (Frederickson, 2008) (Graaf et al., 2010), despite the fact that all the models discussed above propose useful concepts for studying public administration in transforming countries. Comparing him to Weber, Frederickson (2008, p. 977) called Riggs "the most distinguished contemporary practitioner of comparative public administration. The theory of prismatic society is especially useful because it provides us with concepts to discuss phenomena that take place in societies that are no longer traditional and not yet modern. The concept of prismatic society is useful because whereas the term "transitional" assumes teleologically that a society is actually transitioning towards modernity, the term "prismatic" does not necessarily imply that (Graaf et al., 2010, p. 38). Riggs' concept of polynormativism is also very important and useful in understanding bureaucracies in prismatic societies (Graaf et al., 2010, p. 40). I will discuss later how Riggs' theory has been utilized by various authors to inform their research on comparative public administration. Before that I will summarize below key reasons why I believe Riggs' theory is relevant for the context of Kosovo.

In order to better understand how organizations work in transforming countries we must make use both of the Weberian model and one from the comparative perspective. I intend to use the Weberian bureaucratic model as an ideal type, and the Riggsian sala model as an explanatory type to study institutions in Kosovo. This is appropriate because Kosovo's institutions were established in a post-war environment and it is a transition country with a middle income economy (World Bank Group, 2012) (Bertelsmann Foundation, 2014). I propose to contrast the Riggsian model to the Weberian model and not to the Neo-Weberian State (NWS) model for one key reason. Namely, the NWS model assumes that a Weberian style bureaucracy exists and it is modernised to be made more responsive. On the other hand, what I propose to do is to test if Weberian elements exist in the institutions I am studying. To the extent that NWS is relevant, I suspect it is as a formalistic feature of reforms purporting to make institutions more responsive along the lines of NWS.

As I will show in the chapter on the **CONTEXTUAL BACKGROUND OF KOSOVO** there are differences in effectiveness and efficiency among Kosovo's institutions. By measuring levels of "prismaticness" in organisations we can understand variations in effectiveness and efficiency. According to the prismatic model the degree of administrative efficiency of a bureaucracy varies inversely with the weight of its power (Riggs, 1964, p. 263). By "bureaucratic power" Riggs (1964, p. 263) means the amount of discretion of bureaucrats to make decisions on their own, or lack of a control of bureaucracy imposed by the political system. Riggs wrote in the context of newly founded developing countries, transition from colonialism and underdevelopment of political institutions. A central component of his theory is that political institutions are weak in prismatic societies. As a result political control of bureaucracy is weak and there is great "bureaucratic power" and discretion in developing countries. I propose to explore the issue of bureaucratic discretion and political control in Kosovo to see if Riggs views hold in such a context.

According to Riggs (1964) prismatic bureaucracies are less efficient, although they are more effective than fused ones. Also prismatic bureaucracies are less efficient than diffracted ones. Efficiency refers to the relative cost of accomplishing an objective (Riggs, 1964, p. 263). Effectiveness refers to the extent to which a given objective is carried out (Riggs, 1964, p. 263). This definition is in line with the goal-oriented approach to defining effectiveness in organisational theory (Hall, 1980).

I will summarise the key views on effectiveness before I move on with the discussion on the prismatic theory. There are five major approaches to organisational effectiveness, namely, the rational-goal approach, the system-resource approach, the internal-process approach, the multiple-constituencies approach and the competing values approach (Glunk and Wilderom, 1996; Ostroff and Schmitt, 1993; Goodman and Pennings, 1977; Price, 1972; Pfeffer, 1982). The rational-goal approach focuses on the extent to which organisations achieve their goals measured in terms of output (David L. Turnipseed, 1988). In contrast to the rational-goal approach, the system-resource approach puts the emphasis on inputs rather than outputs. The survival of the organisation is seen as a key criterion as organisations compete for scarce resources (Yuchtman and Seashore, 1967). The internal-process approach defines effectiveness as level functioning of the organisation based on its adaptability, identity and capacity to check reality (Bennis, 1966). The multiple-constituencies approach looks at the many stakeholders that an organisation has and it

defines effectiveness based on how the organisations meets the needs of its various constituencies (Connolly et al., 1980). The competing values approach identifies three dimensions of organisations, namely external vs. internal, control vs. flexibility and means vs ends. The various permutations of the first two dimensions yield four perspectives: the rational-goal perspective, the open-system perspective, the human-relations perspective and the internal-process perspective. Effectiveness is measured based on criteria that move along the dimension of means or ends and each of the perspectives (Quinn and Rohrbaugh, 1981).

In the discussion above I talked about the key aspects of the prismatic theory including its definitions of organisational effectiveness. I also provided a summary of views on organisational effectiveness from organisational theory in order to see where Riggs' definition of effectiveness fits. Next I will summarise the critique of the prismatic theory.

### 2.5.2 Critique of prismatic theory

I have selected a number of authors whose critique is informative and insightful or who have undertaken studies that built on the prismatic theory. I will provide summaries of the main points of their critique of prismatic theory below.

A major problem with prismatic theory is its component that talks about bureaucratic power. According to the prismatic model the degree of administrative efficiency of a bureaucracy varies inversely with the weight of its power (Riggs, 1964, p. 263). By "bureaucratic power" Riggs means the amount of discretion of bureaucrats to make decisions on their own, or lack of a control of bureaucracy imposed by the political system (Riggs, 1964, p. 263). According to Riggs' theory in prismatic societies bureaucratic power is greater. This hypothesis along with the entire prismatic theory has come under criticism. Chapman's (1966, pp. 422–426) critique of the prismatic theory is focused on four main points, (1) that the concepts (such as "structure" and "institution" used by Riggs and the relationships between them are often unclear; (2) that the vocabulary created by Riggs may lead readers to confusion; (3) that there is a problem of measurement of the "prismaticness" of societies; and (4) that there are problems with some of the hypotheses raised by Riggs, especially the hypothesis that "bureaucratic power" is greater in prismatic

societies. Chapman (1966, p. 426) argues that Riggs' view of bureaucratic power in prismatic societies, being greater than what it is in either "fused" or "diffracted" societies, makes it an extreme condition rather than a mid-point between the two. However, Chapman (1966, p. 431) concludes that the concept of relative "diffraction" is very useful as a common variable of economic, political, social and administrative development in future analyses. Riggs (1964, p. 285) says that his prepositions can be used as hypotheses about real world behaviour which can be tested in transitional societies and they can provide guidelines for reform. Chapman (1966, p. 428) agrees that in this way they prismatic model may be a useful tool of analysis.

With regard to the relationship between bureaucracy and politics, research from sociology can be useful in understanding power dynamics between organisations. Clegg (Clegg, 1989, p. 215) uses the concept of "circuits of power" to explain power relations. According to him there is an episodic power, which consists of power over stakeholders and accompanying resistance, and is the most evident circuit of power; and there is a circuit of facilitative power, which is seen when normal rules are destabilized either by the organisation or external forces (Clegg, 1989, p. 200). This creates fluidity in the power relations and can lead to empowerment or disempowerment of stakeholders (Clegg, 1989, p. 200). Effective organisation is central to each of the circuits of power and it is under pressure both to reproduce and transform in each circuit of social and system integration (Clegg, 1989, p. 239). Although Clegg talks about power within organisations, his framework is used by Davenport and Leitch (2005) to study relations between organisations. Also helpful is Giddens' (1979, p. 91) concept of "duality of structure", which means that power and structure coexist and interact with each other as opposed to being separate from each other. Thompson (1956, p. 290) concept of "illegitimate power" to explain distresses within organisations can be useful to understand behaviour of bureaucrats in prismatic organisations. These concepts help us understand the nature of relationship between bureaucracies and political institutions in prismatic societies. Rather than being situated in an episodic circuit of power their relationship might be in a facilitative circuit, as described by Clegg, which leads to fluidity and variations in the amount of power one holds over the other.

The prismatic theory has inspired authors to come forward with further hypotheses that build on it or run parallel with it. Milne (1970) provides a positive critique of Riggs'

prismatic theory and concludes that it is useful for understanding developing country administrations. Milne (1970, p. 64) further hypothesises that administration is more effective and objective where competition for the services provided is less keen, as for health and education, than where competition is keen; and subjectively the situation is seen in terms of limited good (and limited security), for example, as regards the provision of jobs. He also hypothesises that in developing countries the possibility of loyalty to an organization that transcends loyalty to one's own interest, family, or clique, is greatest when the organizational unit is small (Milne, 1970, p. 65). He states that a study of variations in effectiveness within a country can point the way to how administration could be improved (Milne, 1970, p. 66).

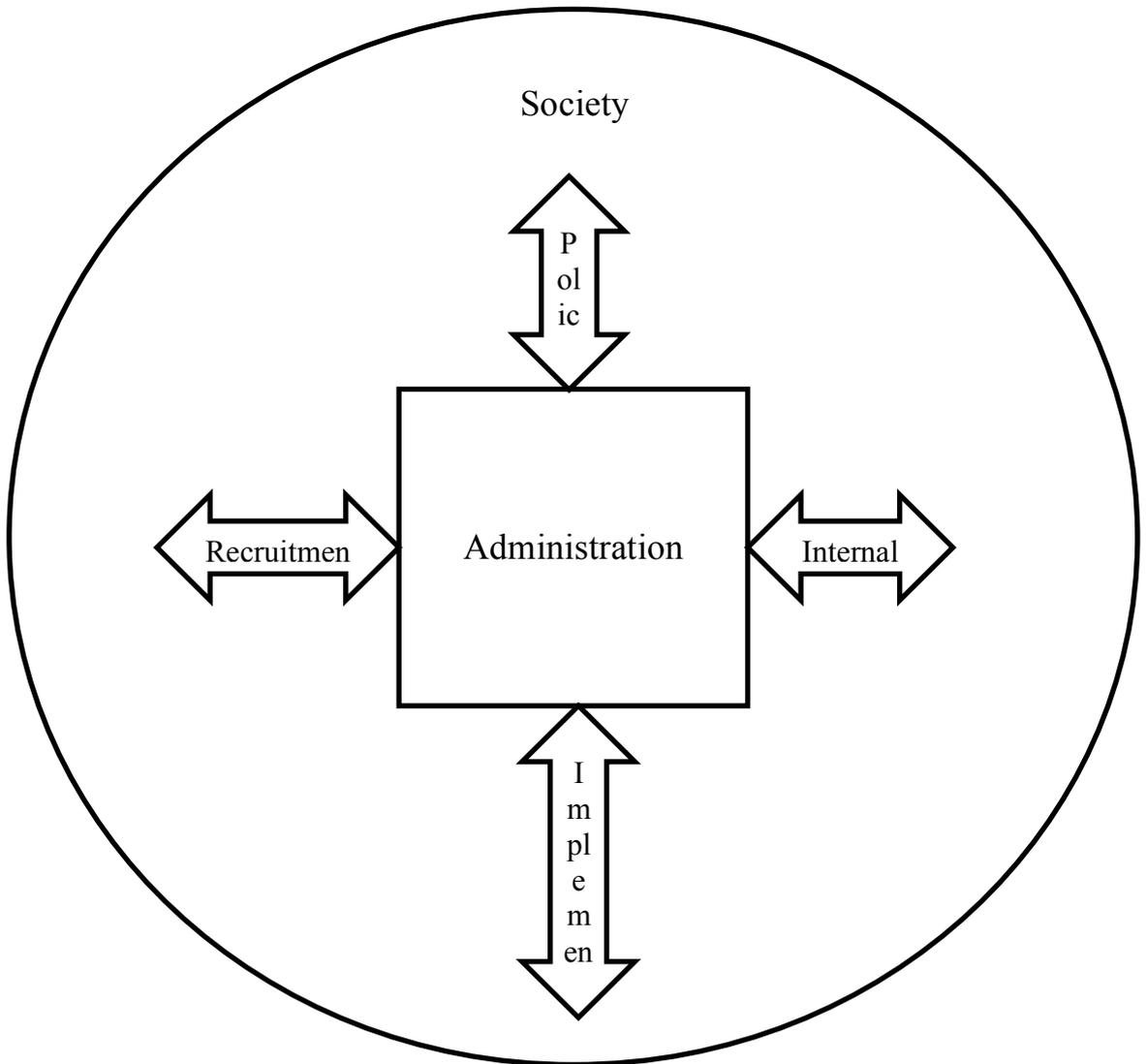
One of the most useful concepts of the prismatic theory is that of “poly-normativism”, or existence of more than one set of norms among bureaucrats. Price (1975) uses Riggs’ theory of prismatic society in his study of society and bureaucracy in Ghana. However, he stops at a theoretical level, and only uses Riggs’ concept of “poly-normativism” to frame his study (Price, 1975, p. 12). Price (1975, p. 13) argues that whereas, Riggs’ concept of “poly-normativism” is useful for studying administration in developing countries, the concept of “bureaucratic power” (the idea that in developing countries bureaucracies enjoy great power in setting policies and are not controlled politically), which makes up the other key component of prismatic society, is not valid. Price (1975, p. 14) moves away from the “macro-level concern with poly-normativism” and uses social role theory to study the behaviour of individual bureaucrats.

There has also been a more negative critique of the prismatic theory, as exemplified by Subramaniam’s (2000) review. Subramaniam (2000, p. 548) argues that the prismatic theory is too general and too simplistic to be useful. He holds that analyses must focus on interfaces between “differentiated” and “fused” subsystems and the different possible ways of interaction between them (Subramaniam, 2000, pp. 548–549). Subramaniam further talks about the interactions of public administration with society. He says that such interactions take place at four specific interfaces:

1. The recruitment interface through which a select minority of entrants from society determine the structure and function of the administrative system;
2. The policy interface through which demands and inputs enter the system from groups and institutions in society;

3. The most active implementation interface, through which all the activities bearing on society take place from taxation to policing to welfare administration;  
and
4. An internal 'interface' in which the various subsystems of administration interact on their own or as a result of interaction with society (Subramaniam, 2000, p. 564).

Figure 3: Subramaniam's interfaces between society and administration



Relations between society and bureaucracy are a major focus for study. Cummings and Norgaard (2003) provide a useful study of administration-society interaction as well as a summary of key perspectives on the issue. They study the mode (how?), scope (how much?) and character (what kind?) of societal participation in policy making and policy

implementation (Cummings and Nørgaard, 2003, p. 1). They are informed by Riggs as well as other authors who studied developing and post-communist countries and concluded that the effectiveness of public administration in such contexts, depends on both politician-administrator relations and those between state institutions and other societal institutions (Cummings and Nørgaard, 2003, p. 2).

In their review of literature, Cummings and Norgaard (2003) identify three perspectives arising that aim to outline what constitutes “good governance.” First is the “insulationist” perspective, according to which decision-makers and administrators must be insulated from societal and economic interest groups (Geddes, 1994; Williamson, 1994; Stark and Bruszt, 1998; Linz, 1990; Haggard, 1990; Haggard and Kaufman, 1992; Balcerowicz, 1995). One important implication of this is that certain policy areas or segments of the executive can be insulated from outside pressures. Second is the “interdependentist” perspective, which holds that it is important to have popular participation to prevent politicians and administrators serving their own needs. Important concepts from this perspective are “embedded autonomy” promoted by Evans (1992), “governed interdependence” by Weiss (1995) and “extended accountability” by Stark and Bruszt (1998). The third and bridging perspective is that of “historical institutionalism” represented by authors such as North (1990), March and Olsen (1989), Pierson (1994), Cowles, Risse and Carpaso (2001), and Goetz and Hix (2001). According to this view “public administrations are historical products of the societies in which they exist and that administrative reforms also should take account of national specific circumstances, which they, in the parlance of this tradition, should ‘fit’” (Cummings and Nørgaard, 2003, p. 3).

Discussing the issue of administrative reform, Cummings and Norgaard (2003, p. 3) argue that reform is halted not necessarily because adaptation to new rules of the game is questioned, but due to the interests attached to existing institutions. They suggest that the concept of “logic of appropriateness” of March and Olsen (1989) captures the set of informal norms and values which are more important than formal institutions. This leads to the conclusion that changes in formal institutions are insufficient to change behaviour, due to the endurance of actor preferences. Cummings and Norgaard (2003, p. 4) built a historico-institutional hypothesis, which states that “there are differences between the scope, mode and character of administration-society relations, reflecting different historical, political and social preconditions interacting with reform initiatives,” contrasting

it with a Weberian hypothesis which claims that no such differences exist. From the data from 11 ex-communist countries, they find support for the hypothesis that actors and institutions are impacted by the context in which they operate and do not merely respond and adapt to institutional reforms (Cummings and Norgaard, 2003).

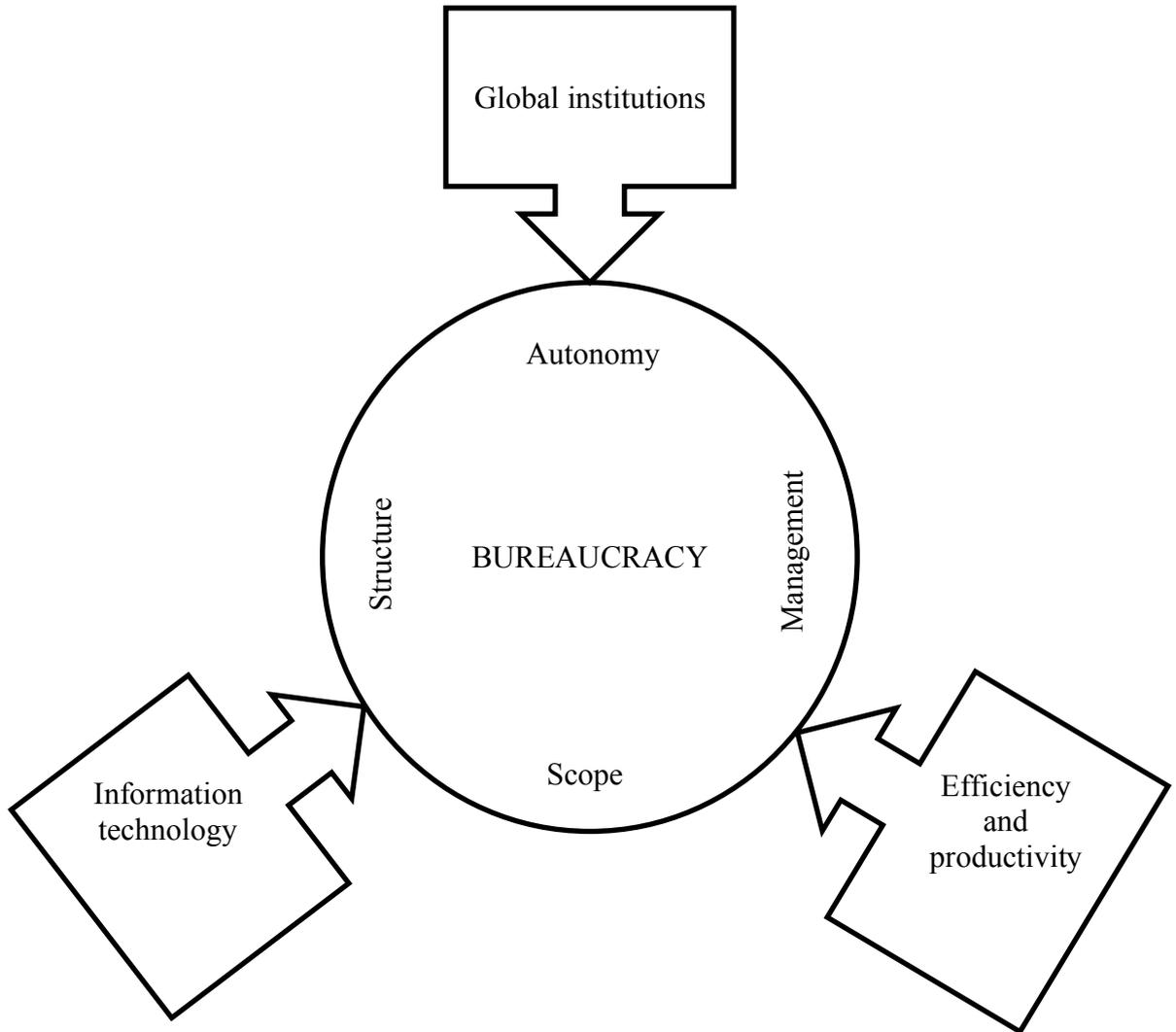
A key critique of the prismatic theory is the lack of empirical evidence. Peng (2008) incorporates this critique in his review of Riggs' theory. Peng (2008, p. 537) argues that key achievements of the Riggs' prismatic theory are the ecological approach, and the use of pan-disciplinary research. According to Peng (2008, pp. 539–543) the main limitations of the prismatic theory are shifting of focus from empiricism to theoretical models, being too “broad and abstract”, lack of empirical evidence, ignoring the goals of public administration to work efficiently by focusing on value-free science, inadequate of “fused-prismatic-diffracted” sections to explain unpredictable social transformation, jargon and pessimism.

Many hypotheses of the prismatic theory have been challenged by authors such as Subramaniam (2000) and O'Donnell (1993) who have done research in India and Latin America who argue that a bureaucracy can become more “rigid” when interacting with a fused society. The discretion of bureaucrats is recognized as a major issue. Milne (1970, p. 63), when discussing the prismatic model, recognized that, whereas in a diffracted (developed country) context, bureaucrats' use of discretion and even “cutting corners” may result in better services, in a prismatic (transforming country) context, that is likely to lead to inefficiencies, corruption and nepotism such as in the case of the Philippines, where Abueva (1966) showed that bureaucrats had decisional power in public works projects in providing semi skilled and unskilled labour jobs. Milne (1970, p. 64) states that a study of variations in effectiveness within a country can point the way to how administration could be improved.

More recent authors have engaged with the Riggsian model, as well. In the 1990s after increased globalisation and the rise of new technologies such as the internet, Welch and Wong (1998) proposed a model to study global pressures on bureaucracies. They identify three main global pressures: information technology, global institutions and efficiency and productivity (Welch and Wong, 1998, p. 45). The model proposes to test the impacts of

these three pressures on four attributes of bureaucracy: structure, scope, autonomy and management (Welch and Wong, 1998, p. 45).

Figure 4: Welch and Wong's global pressures model



Welch and Wong are correct to identify pressures for efficiency and productivity as key for the study of comparative public administration. This has taken shape mainly in the form of New Public Management (NPM). I will discuss New Public Management (NPM) in the following section. This is expedient, as NPM has found extensive use in many transforming countries. More precisely, one facet of NPM reforms, autonomisation of service delivery (Manning, 2001), is highly relevant for this dissertation as the Kosovo Customs Service can be considered an autonomous agency.

In the sub-section on **The New Public Management (NPM)** I discussed NPM and its implementation in transforming countries. There has been an important debate regarding the appropriateness of NPM and the Weberian model for transforming countries. However, authors studying public administration in transforming countries find that the situation is more complex in practice. In the following section I will discuss the application of the prismatic model in the study of administration in transforming countries.

It is important to note that after a period of engagement by scholars with Riggs' theory in the sixties and seventies there is a gap in the literature and resurgence in the 2000s. Riggs' contemporaries treat his work in a complementary manner and they do not necessarily offer a detailed critique of the prismatic theory. Whereas literature on organisation theory has looked at organisational effectiveness, the literature on comparative public administration, besides NPM-inspired work, does not pay sufficient attention to the issue of efficiency and effectiveness. Also, there are no examples of attempts to test any of the hypotheses of the prismatic theory although its importance is recognised in the field. Further, its critique has not done a good job of refuting its hypotheses, although it has raised many issues for study.

### 2.5.3 Use of prismatic theory in empirical studies

Literature that builds on the prismatic theory tends to focus on the theme of competing norms being present in institutions and among bureaucrats. This is a common theme that emerges from empirical studies as well. Below I will summarise empirical analyses that have used an ecological framework to study public administration in various contexts.

Institution building during colonialism is a context where polynormativism is prevalent. And corruption in post-colonial bureaucracies is explained through this process. Van den Bersselaar and Decker (2011, p. 743) conclude that corruption in Africa emerged from a historical process as a response of the imposition of colonial systems of norms on existing conflicting institutions. They use De Sardan's (1997) concept of "syncretic" institutions to explain corruption as an institution that bridges the gap between two incompatible systems. They argue that "corruption is the "dark" side of bureaucratization, of slow, stalled, or incomplete attempts to install an impersonal system of administration on a society that

operates within informal personal networks of favor and dependence” (van den Bersselaar and Decker, 2011, p. 750). Their concept of “bureaucratization” is similar to the Riggs’ prismatic model, with the difference that they see corruption as a syncretic institution which fuses to contradictory systems and can remain stable for a long period of time (van den Bersselaar and Decker, 2011, p. 751)

The phenomenon of poly-normativism is prevalent even in modern societies with a developed economy. Zelekha (2013) focuses on the duality of norms in the Israeli bureaucracy. He highlights the most common type of behaviours of “bi-cultural” bureaucrats with ambivalent attitudes towards rules and regulations, which bypass administrative procedures (Zelekha, 2013, p. 17). They include “violation of civil service salary system, with senior civil servants often earning more than regulations allow; bypassing of the tender system and making appointments through ‘made-to-fit’ tenders; appointment of advisors to ministers external to the Civil Service appointment or remuneration systems; bypassing government decisions to cut the number of civil service employees by using a revolving door, where laid-off civil servants are replaced by temporary workers, who are hired and paid by manpower companies, which are remunerated via inappropriate funds; and violation of public budget system and procedures via ‘earmarked’ monies that ministers inappropriately allocate to support social and cultural institutions affiliated with their political party” (Zelekha, 2013). Danet (2012, pp. 24–25) defines biculturalism as the existence of two organisational codes, one official one unofficial, where members claim to respect the official code but feel more comfortable with unofficial one. In the context of Israel, a consequence of biculturalism is the prevalence of “Protekzia” – the use of personal connections, pulling strings or as defined in the Hebrew language dictionary “patronage, a recommendation for preferential treatment; support by a person of influence of someone, in order to obtain for him a right to a certain preferential advantage in obtaining work and so forth” (Danet, 2012, p. 16)

The prismatic theory has been applied in various areas geographically as well. Besides, the above mentioned cases, in Southern Europe it has informed the study of neopatrimonialism in Portugal in the context of Europeanisation and administrative reform (Magone, 2011) (Rocha and Araujo, 2007). (Neopatrimonialism is used in political science to describe the nature of politics in developing countries, and it signifies the personal nature of politics as opposed to legal-rational (Erdmann and Engel, 2007)). Also, in the context of Eastern

Europe, Temmes (2000) writes about the transition of post-communist countries, and identifies “prismatic degeneration” as one of the key threats to transition. In this scenario there would be a prevalence of cliques, corruption, nepotism and lack of consensus.

The prismatic model has also influenced historical studies of corruption. Notably the abuse of power in the Dutch republic (Wagenaar, 2011) and corruption in the 14<sup>th</sup> century English state (Dodd, 2011). In the historical studies, the theme of competing norms is prevalent and in the English context, the concept of “maintenance” appears as describing illegal and informal connections between people holding positions of power, which enabled the abuse of power (Dodd, 2011, p.18).

#### 2.5.4 Thematic and geographic aspects

The literature that draws on the prismatic theory has a geographic aspect and a thematic one. Geographically, there have been studies that cover a variety of contexts ranging from Southern Europe to Eastern Europe and Africa, Asia, Latin America even North America. Also, the prismatic theory has been used to study corruption in historical perspective. A prismatic framework has been applied to the study of corruption in the Dutch Republic as well as 14th century England.

A common theme that emerges from these disparate studies is the multiplicity of norms within which bureaucrats have to operate. Riggs (1964, p.172) called this phenomenon “poly-normativism”. This common theme emerges both in the historical context of the societies that are now developed and which underwent endo-prismatic transition (induced by internal forces) to modernity and societies that are developing and undergoing what Riggs (1964, p.173) called exo-prismatic transition (induced by external forces e.g. colonisation).

Also the model has informed studies in different countries and regions. This includes Kearny’s (1988) study of political responsiveness and neutral competence public administrations of Dominican Republic and Costa Rica, the study of bureaucratic culture in Bangladesh, which highlighted political interference and formalism (Zafarullah, 2013) and success/failure of NPM in Singapore and Bangladesh (Sarker, 2006) as well as syncretism

and institutional change in developing countries (Sil and Galvan, 2007).

#### 2.5.5 Pockets of effectiveness

Finally, the prismatic theory has informed important research in so called “pockets of effectiveness” or well performing organisations in developing countries. This research addresses some of the critiques aimed at the theory of prismatic society, namely that it is too general and does not pay attention to meso-level dynamics in administration. Merilee Grindle (2010) studied 29 organisations in six developing countries. Leonard (2010) looks at the various hypotheses which have been proposed to explain these pockets of effectiveness in weak governance states. Crook (2010) looks at “islands of effectiveness” in African states, and Owusu (2006) studied the differences between well performing and poor performing public organisations in Ghana. Roll (n.d. cited in Lacayo et al., 2008) provides an anthropological perspective of pockets of effectiveness in developing countries. Andrews (2013) looks at positive deviance in public sector reforms in developing countries. A common theme of this literature is the importance of autonomy and recruitment.

Leonard (2010) finds that there have been 62 hypotheses offered to explain why such pockets of effectiveness exists. He groups them under five “meta-hypotheses” which are:

- “An organisation’s ‘productivity’ is largely determined by how it does its tasks – i.e. by management and leadership – not primarily by its function or its political context.
- Function drives organisational structure and personnel, which in turn determine performance.
- The process by which efforts to improve performance is undertaken frequently can overcome other aspects of its political context.
- Political institutions shape what is organisationally feasible and are not automatically deducible from interests and power.
- The underlying political economy in which an organisation is placed ultimately will overcome and shape all the other causal factors and thus determine what productivity is possible” (Leonard, 2010, p. 93).

The research on pockets of effectiveness, which focuses at the organisational level, is highly valuable for our research project. The above discussion raises questions about the role of economic, social and political context in administration. Is a pessimistic view the only conclusion, or can organisations be effective in transitional societies? And what are the factors that lead to “pockets of effectiveness” being created?

We have seen the main applications and critique of the prismatic society model, as well as literature on public administration in transforming countries that was informed by it. I propose to test the hypothesis of the prismatic theory on efficiency and effectiveness of public administration organisations in a transformational context. Specifically, I propose to compare two revenue institutions in Kosovo. In the section below I will provide a justification for proposing to rely on the prismatic theory to study revenue institutions in the post-war context of Kosovo.

## 2.6 Relevance of prismatic theory for the case of Kosovo

The prismatic theory of public administration was proposed by Riggs in the 1960s and 1970s. This period is characterised by decolonisation and the creation of new independent states. Generally, public administration institutions in the newly independent countries were established during colonialism and they continued to function after independence.

Based on Riggs' work (1964, p. 273) we can identify four testable hypotheses which focus on issues of autonomy, meritocracy (p. 275), formalism (pp. 277–281), and mimesis (p. 279). The hypotheses that I propose to test are:

Higher level of autonomy from political interference leads to more efficiency in an organisation.

Higher level of meritocracy leads to more efficiency in an organisation.

The more formalistic an organisation is the less efficient it is.

The more mimetic an organisation is the less efficient it is.

I propose to do this by examining how “prismatic” are public institutions in Kosovo. More specifically, I propose to check whether the four facets of prismatic administration outlined by Riggs apply to public institutions in Kosovo. I will reiterate them here before I continue. Riggs defines four facets of prismatic bureaucracy to be considered. Namely, they are, low salaries and overstaffing; over-rights and under-rights (the informal relationships between superiors and subordinates); bureaucratistic recruitment (appointments based on considerations of power and financial position); and centralization (Riggs, 1964, p. 293).

It is important to establish how this relates to Kosovo, where I propose to do my research. Literature on countries with similar socio-economic conditions to Kosovo, suggests that Riggs' claims are worthy of investigation. Below I will summarise key research related to the above-mentioned four aspects of prismatic administration.

### 2.6.1 Low salaries and overstaffing

Regarding low salaries and overstaffing, Riggs (1964, p. 293) argues that scarce public revenues lead to budgetary limits to pay public servants. While prismatic forces cause the surge of the number of staff in public service, the average salary decreases below the standard of living (Riggs, 1964, p. 293). Riggs (1964, p. 293) also holds that prismatic administration is overstaffed. He explains that in a prismatic society there is an excess of schools that turn out graduates who find little or no private employment (Riggs, 1964, p. 295). In such an environment public bureaucracy is the most appealing form of employment (Riggs, 1964, p. 295). Therefore in the prismatic public administration there is proliferation of sections, divisions, and departments within public institutions as a means to provide new governmental services (Riggs, 1964, p. 295).

With regard to low salaries and overstaffing, there is research that largely supports Riggs' claims. Public sector wages are usually "unfair", amounting to figures in the tens or low hundreds of US dollars (Ferrinho et al., 2004; Siegel, 1996). Low incomes are recognized as one key reason why public sector workers engage in corruption, beside other causes (Fijnaut and Huberts, 2002, p. 8).<sup>1</sup> Low salaries in the public sector are perceived as an important cause of corruption, especially amongst experts in lower income nations compared to higher income countries (Huberts, 1998, p. 215).

This seems to have been the case in earlier periods in transforming countries, as well. Numerous studies show that in the period after WWII, and post-independence phase of many developing countries low wages were a difficulty. It is believed that the consequence of low salaries is increased corruption and reduced trust in state institutions. For instance, low salaries in Indonesia resulted in widespread corruption (Quah, 1982). In the Philippines low wages and corrupt conduct of bureaucrats led to low prestige of bureaucracy (ibid.). In Singapore low salaries and mounting cost of living can illuminate the necessity of bureaucrats to participate in corruption (ibid.). And in Thailand low salaries and rising cost of living lead to corruption (ibid.).

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<sup>1</sup> The other factors being values of politicians and civil servants, organisational quality of public sector, relationship between the state and business sector as well as other social factors such as the presence of organised crime and social norms (Fijnaut and Huberts, 2002, p. 8).

Public sector salaries in transforming countries seem to be nominally high, and in some cases they are higher than in the private sector. Nevertheless, they must be understood in relation to the cost of living in the country in question. Even in nations where public sector salaries are seen to be relatively high, they are not adequate to guarantee a decent standard of living because of inflation (Lindauer et al., 1988). Additionally, real wages have been decreasing in developing countries (Lindauer and Nunberg, 1994; Haque and Sahay, 1996; Gould and Amaro-Reyes, 1983; Chaudhry et al., 1994). Public sector salaries decline with time due to inflation, for example, the salary of a Mozambican nurse in 1999 was only 10% to 15% of its value 15 years before (Ferrinho et al., 2004).

Low salaries, besides reducing employee motivation, can have other negative consequences. Low salaries, as well as their late payment, were a chief and common complaint of Afghan bureaucrats. This led to weakening loyalty to the state amongst bureaucrats alongside, increases in corrupt conduct (Lister and Wilder, 2005). Van Rijckeghem and Weder (1996) argue that there is a direct negative relationship between public sector incomes and corruption. In their study of 20 countries, in the period from 1982 to 1994, they determined that the ratio of civil service salaries to manufacturing sector salaries is a significant determinant of corruption (Van Rijckeghem and Weder, 1996). Low wages are a key issue for health personnel in Asian and Pacific countries, and a major cause for their emigration (Henderson and Tulloch, 2008).

Finding supplementary incomes seems to be a common concern of public sector personnel in transforming countries. Public sector employees often have to secure additional income to cope with the cost of living. The following quote captures the extensiveness of the problem.

“The notion of the full-time civil servant exclusively dedicated to his/her public sector job is disappearing” (Ferrinho et al., 2004, p. 2).

Public health personnel depend on coping strategies to counterweigh the effect of low salaries. Those strategies include dual practice (working in both public and private sectors), absenteeism (related to dual practice), bribery, embezzlement of drugs and supplies and transfer of public sector patients to private sector clinics (Ferrinho et al., 2004). Health workers in Asian and Pacific countries employ coping strategies to deal with low wages. They include dual practice and working in multiple jobs (Henderson and Tulloch, 2008). Dual practice is likely present in all countries regardless of income level, and especially in

lower income countries (Ferrinho et al., 2004).

Understandably the problem of cost of living is related to underlying economic and political problems such as deindustrialisation and inequality. Economic difficulties, such as inflation and recession, are understood as a significant cause of corruption in lower income nations. Also, in a survey of scholars, social inequality was placed even higher amid principal causes of corruption in lower income countries (Huberts, 1998). Furthermore, the transition processes of privatisation, liberalisation and democratisation offer ample opportunities for corruption (Fijnaut and Huberts, 2002).

Governments in transforming countries often have to undertake budgetary adjustments, as instructed by international financial institutions. Cutting salaries or maintaining them in nominal terms is often the most favoured course, as dismissing public sector employees is not desirable. This is because of high levels of unemployment and absence of social safety nets (Haque and Sahay, 1996; Kraay and Van Rijckeghem, 1995). This “incentive myopia” or short-term policy of trying to moderate budget deficits by shrinking real wages in the public sector results in the failure of incentives (Klitgaard, 1989).

Low public sector productivity is seen as a result of incentive dysfunction. Bureaucrats with low incomes possibly spend a substantial time of their working hours on rent seeking behaviour. This reduces institutional productivity (Haque and Sahay, 1996; Alam, 1989; Gould and Amaro-Reyes, 1983; Krueger, 1974; Wade, 1982). Low government salaries end in deteriorations in public sector productivity, as gauged by tax collection rates, and an upsurge of corruption (Haque and Sahay, 1996). Haque and Sahay (1996) assert that tax collection could be boosted by increasing salaries of auditors. Consequently, when confronted with the choice between reducing salaries and cutting public sector employment to attain fiscal consolidation, governments end up worsening the fiscal balance if they choose reducing wages, especially for revenue organisations (Haque and Sahay, 1996).

Overemployment in the public sector is related to education policies as well. There is a link between expansion of the education opportunities and overstaffing and low salaries in the public sector. The first employment target of graduates in many countries is the public sector. A survey in Indonesia in 1977 revealed that 96.8 per cent of graduates selected

public sector employment as their first or only preference (Simanjuntak, 1979). This was the case although they were aware that the formal salaries were significantly lower than their expectations. That is an indication that they had high expectations of supplementing their income, whether legally or illegally. This has drawn job hunters to the public sector and, furthermore, it has helped increase unemployment levels (Simanjuntak, 1979). Alongside slim opportunities for employment in the private sector the opportunity cost of private employment was high considering the income expectations in public employment. Some graduates would rather wait longer for a public sector job than start a private sector job.

Another phenomenon related to the attractiveness of the public sector is double employment. Even graduates who are intent principally on finding jobs in the private sector desire employment in the public sector. In Cambodia, the connections with the public sector are extremely valued among doctors, as they grant them access to information, opinions of influential doctors, recruitment of patients for their private practices, privileges for curing and referring patients and a chance to make a contribution to the community (Ferrinho et al., 2004).

#### 2.6.2 Over-rights and under-rights

The second aspect of prismatic organisations identified by Riggs is “over-rights and under-rights”. He describes over-rights as duties paid to superiors by subordinate officials, and under-rights as duties of superiors officials to subordinates (Riggs, 1964, p. 297). This means that superior officials ensure that their employees have access to informal networks that guarantee prospects for advancement and extra sources of income. In turn subordinates pay for the informal support of their superiors. One way how under-rights are enacted is through non-performance of official duties (Riggs, 1964, p. 298). This frequently results in influence-peddling by bureaucrats that is related to non-performance of official duties (Riggs, 1964, p. 298).

One phenomenon that is related to over-rights and under-rights is bribery. Previous authors have found links between bribery and institutional effectiveness. Bribes have an adverse effect on efficiency and productivity. “Speed money” bribery results in administrative

delays as officials deliberately slow official procedure till a bribe is paid to them (Gould and Amaro-Reyes, 1983).

This characteristic of prismatic behaviour is very significant as it directly results in corruption. When higher-ups do not punish infringements of legal requirements conditions are created for corruption to flourish. Absence of control, supervision and auditing is perceived as a principal cause of corruption both in lower income and higher income countries (Huberts, 1998)

Likewise, informal networks can be a conduit for corruption. The subsistence of clientelistic webs including policymakers, companies, and administrators is directly interconnected with corruption. Relationships among business, politics and the state are perceived as one of the central roots of corruption both in lower income countries and in higher income countries (Huberts, 1998, p. 215).

### 2.6.3 Bureaucratic recruitment

The third aspect of prismatic bureaucracy is bureaucratic recruitment. Riggs suggests that in prismatic organisations while appointments, promotions and transfers are done to officially meet administrative requirements, their principal function has to do with the power dynamics of executives and their followers (Riggs, 1964, p. 295). Therefore at the formal level requirements of job descriptions should be met, and at the informal level reasons for appointment are personal loyalty and readiness to participate in income supplementation schemes.

Riggs underscores the absence of meritocracy in recruitment and promotion. Research from other authors shows that similar phenomena appear in a number of transforming countries. In a Vietnamese study, rural health workers stated that they could not comprehend the selection criteria for involvement in capacity development programmes, and thought that the process was arbitrary (Henderson and Tulloch, 2008, p. 12). Similarly, in Nepal, prospects for subsidised higher education overseas for rural health workers were not connected to performance (Henderson and Tulloch, 2008, p. 12). Regarding salaries, doctors with 20 years of practice in the Dominican Republic earned equally as new

graduates in 1996 (Ferrinho et al., 2004, p. 2). Also, personnel were remunerated without regard of whether they completed their appointed duties and there were no rewards for good performance (Lewis et al., 1991). These findings from transforming countries suggest that it is worth investigating the issue of meritocracy and Riggs' ideas on "bureaucratic recruitment" in Kosovo.

#### 2.6.4 Centralisation

As the fourth aspect of prismatic bureaucracy, Riggs delineates centralisation. He proclaims that senior executives in a prismatic bureaucracy are unwilling to delegate authority for fear of losing all control (Riggs, 1964, p. 300). Moreover, senior managers guard their over-rights (Riggs, 1964, p. 300). Centralisation might occur even as organisations undertake "decentralisation" reforms. And, frequently decentralisation reforms are likely to lead to further centralisation within prismatic institutions.

Research from other transforming countries is highly relevant. Disorganisation and mismanagement are perceived as a very significant cause of corruption in lower income countries (Huberts, 1998, p. 215). And subsequently this has a negative impact on performance. In Nepal up to 30% of planned revenue was not gathered due to bribery. In Thailand up to 47% more revenue could be collected if corruption and tax evasion was eradicated (Alfiler, 1986).

Lack of clarity as phenomenon related to centralisation, is prevalent in other countries according to previous research. For instance, around 47% of Indonesian nurses and midwives did not possess job descriptions (Henderson and Tulloch, 2008, p. 11). Furthermore, there is a positive association between performance and clarity of job descriptions amongst health workers (Henderson and Tulloch, 2008, p. 11). Data from transforming countries lead me to propose to test Riggs' claims regarding centralisation in Kosovo.

### 2.7 Prismatic theory and post-conflict state-building

Riggs' prismatic theory is supposed to apply to all transforming countries. Riggs' own empirical work, based on which he proposed the prismatic theory, was centred in South East Asia. As I have discussed in the section on the **Critique of prismatic theory**, Riggs has been criticized for drawing general conclusions about developing countries based on research only in several of them. However, there are authors who strongly support the prismatic theory. From a comparative perspective, Riggs' prismatic theory remains relevant for developing countries and for the international community which continues to engage in state-building efforts (Frederickson, 2008, p. 978). Frederickson (2008, p. 978) further argued that those involved in nation-building in Iraq and elsewhere would benefit greatly from a careful reading of Riggs' work. I propose to test several hypotheses of the prismatic theory in the post-conflict state-building context of Kosovo.

## 2.8 Testing the prismatic model in Kosovo

Unlike other countries where there was a continuation of public administration institutions, in Kosovo, this was not the case. After the war in Kosovo in 1999, the UN Interim Administration Mission (UNMIK) was mandated with institution-building, in order to prepare Kosovo for self-governance. All government institutions, including the public administration institutions were established under UNMIK's control after 1999.

This does not mean that officials that worked before in state institutions – either during the communist period until 1989, or during the apartheid period of the Milosevic regime in the 1990s – were excluded from the new institutions. A proportion of the officials recruited by the new institutions did work in the previous regimes, especially in the judiciary. However, there was a clear break in institutional memory, and several institutions that did not exist previously were established after the war (Visoka and Bolton, 2011).

Importantly, the processes of institution-building were not uniform across the spectrum of institutions. The international administration mission (UNMIK) had a more varying degree in control in aspects of institution-building. In some institutions UNMIK pursued a more hands-on approach, and in others it allowed local political actors a stronger involvement in the process, especially in recruitment. Two institutions which were characterised by very little local political involvement were the Police and Customs Service.

These aspects of the context of Kosovo, which differ from the experience of most of the developing countries, which the prismatic theory covers, make it worthwhile to undertake such a study in Kosovo. Public administration institutions in Kosovo differ from the majority of other transforming countries in two ways, the creation of new institutions in a post-war context, and the varying degree of local political influence in institution building. I propose to test the hypotheses of the prismatic theory in Kosovo to see if they can be verified in such a context.

## 2.9 Why study public management in Kosovo?

I decided to focus on Kosovo for several reasons, which I think make it a case worth exploring. First, the international community has spent the highest per capita expenditure for post war reconstruction and state building in Kosovo. Second, after the war the institutions were created anew and a vast majority of the staff had not worked in public institutions before. Last, but not least I have a personal interest in Kosovo because that is where I am originally from.

The debate on the prismatic theory so far has focused on other areas, the developing countries of Latin America, Asia and Africa and not on the transitional countries of Eastern Europe. One of the main aspects of the debate has been on the applicability of the theory to all developing countries, given that Riggs' work was focused in South and South-East Asia. Other aspects have focused on several of the hypotheses of the theory such as the level of formalism and the class composition of the bureaucracy. However, no attempts have been made to test its hypotheses in a post-war context.

There is very little research on the prismatic theory in a post-conflict/fragile state context. This highlights the relevance of this research, which would be informative to several processes. Below I will summarize five key processes that benefit from lessons learned from this research in Kosovo. First, there are a number of countries that have experienced armed conflict and continue to do so, especially since the end of the Cold War and more recently the Arab Awakening (Arab Spring). Post-war reconstruction efforts in these countries are a necessity. Second, there is an increase in the number of countries that are

considered to have fragile states and are at risk of state failure, such as the countries of the Sahel (e.g. Mali, Central African Republic). Third, there have been several efforts of post-war state building and nation building, such as Iraq, Afghanistan and East Timor, and we continue to see international involvement in state-building efforts. Fourth, institution-building efforts take place in developing countries that have not seen armed conflict, as well. Fifth, there is strong international involvement in technical assistance in transforming countries focusing on improving institutions.

This research contributes to theory by enabling us to see if the hypotheses of the prismatic theory are valid in a post-war context. Being able to discern similarities and differences in institutional development in post-war countries specifically and transforming countries generally would be a contribution to knowledge. By testing the theory in a post-war context we can help examine its general validity as well.

This study is informed by the historical institutionalist approach as a useful approach to study the development of institutions over time (Thelen, 1999). Using this approach I explore how two institutions have been built in Kosovo. They both are revenue institutions, and therefore highly comparable.

## 2.10 Conclusion

Similar to many developing countries in terms of socio-economic conditions, Kosovo is an important case to study due to its differences in institution building with other countries. The post-war state building context makes a truly unique case to test the hypotheses of the prismatic theory. After reviewing the literature I have based my proposal largely on Riggs' prismatic theory, with contributions from other authors as well. I believe this is the best approach as Riggs' theory is very useful in understanding the transformational aspect of society and public administration, yet other authors contribute further by problematizing issues within the "prismatic" condition that Riggs identifies. In the next chapter on methodology, I will describe how I conducted my research.

### 3 METHODOLOGY

#### 3.1 Introduction

In this section I provide a justification for studying two public revenue organisations in a post-conflict context in Kosovo. I will show how my study contributes to knowledge by filling a gap in research that tests important hypotheses of comparative public administration in a post-conflict context using a case study approach. Furthermore I will provide an explanation for why it is worth undertaking the research. Finally I present the used methods and research design.

#### 3.2 Ethical considerations

According to McNabb (2002, p. 20) “research ethics refers to the application of moral standards to decisions made in planning, conducting, and reporting the results of research studies” in public administration research. Key ethical issues in qualitative research are anonymity and confidentiality, informed consent, and risk and safety (Wiles, 2012) (Gerring, 2004). I have respected the anonymity and confidentiality of the respondents throughout the process. The respondents understood that I would be using the information gathered only for the purposes of the study. I also explained to them that their names and job posts would not be made public. I gained their consent verbally before starting interviews. Regarding risk and safety, I made sure not to put the safety of the respondents in danger through my actions. I did not ask sensitive questions related to corruption or any other issue which can be considered sensitive and potentially dangerous (please see Annex 3 with interview guide). Before I started my research I completed the ethics form, as required by the university, and the committee accepted my proposed research approach. I have conformed to the accepted approach during my research.

#### 3.3 Elaboration of research questions

A general aim of my research was to measure prismatic behaviour in TAK and KC. My main research question is: To examine what determines the effectiveness and efficiency, as

defined by Riggs (1964, p. 263), of the Tax Administration and the Customs in Kosovo. Research questions related to this are: What was the historical development of TAK and KC from their founding to 2015? What are the features of TAK and KC that explain the difference in effectiveness and efficiency? What was the role and impact of the international administrators in TAK and KC?

Prismatic behaviour leads to inefficiencies that hinder institutional development and performance. I proposed to look at changes in performance from year to year and compare it between the two institutions (TAK and KC). I measured the performance of each institution by using the amount of revenue collected divided by the number of staff. Changes in performance were measured by looking at changes in revenue and staff from one year to the next.

Revenue institutions are in a sense easier to study in terms of performance measurement, because their mandate has to do with collecting money. And the amount of revenue that is collected can be used as a benchmark. Other public institutions do not have such easily quantifiable mandates. Also, it would be difficult to compare a revenue institution with another institution type. But comparing two revenue institutions is more sound because they both have the same mandate. I recognize that revenue collection does not only rely on the effectiveness of the organisation, but is impacted by fiscal policy as well. However, when there are two revenue organisations with very similar mandates, they are highly comparable. Additionally, my use of revenue collected as a measure of performance was not intended to cast judgment on how much revenue each organisation collected. It was simply a comparison of amounts collected relatively, in terms of expenses made. I did not suggest that amounts collected by one organisation or the other were low or high per se, having in mind external influences. I merely used the revenue amounts as the easiest tool to compare the two organisations.

As I will show below, I measured prismatic behaviour by analysing the processes of recruitment, promotion, and implementation of formal rules. With regard to recruitment I studied the level of involvement of local political actors, in the initial stages of institution-building as well as in later stages (Caplan, 2004). Stronger isolation from political interference and personal and familial relationships in recruitment can be considered less prismatic. Such isolation is stronger when the international administration has more

responsibilities in recruitment, both in setting the criteria and in the staff selection process. This isolation from political interference should lead to a more Weberian type of bureaucracy (Weber, 1998, p. 196).

The second important aspect is promotion within the organisation. I analysed the promotion practices within the TAK and KC. I looked at the presence of staff performance reviews, and how they are taken into consideration when staff are promoted. Promotion that is not based on performance would be related to more prismatic behaviour among officials.

Staff turnover is a useful way of measuring political interference and meritocracy in the institutions. I have studied the level of staff turnover in general, and specifically looked at staff turnover timed after parliamentary elections and changes in government. Such turnover indicates stronger political interference in the organisation and more prismatic behaviour of officials. There have not been any efforts for large-scale administrative reform in Kosovo so far, and no attempts to “de-politicize” public administration and introduce stronger meritocracy.

Further, I analysed the level of implementation of formal rules within an organisation. It is important to understand how rules are implemented and how they are bypassed. I learned of strategies and attempts to circumvent the rules and regulations through my interviews. A higher number of such cases are related to more prismatic behaviour in an organisation.

A break in institutional tradition, as a consequence of war, can have both positive and negative effects. Such a break can create problems due to loss of institutional memory, loss of skilled staff, new opportunities for political interference in recruitment and costs of new institution building. However, it can also provide opportunities to create more meritocratic and efficient institutions. I studied this issue to understand how such a break has impacted the behaviour of the institutions in Kosovo. In the next section I will outline my hypotheses that help me achieve my research aims and objectives.

### 3.4 Hypotheses which test the prismatic theory in a post-conflict context

As I stated in the section above, the aim of my research was to measure prismatic behaviour in TAK and KC. Because they are similar revenue organisations, I can compare them using measurements related to expenditure, revenue and staff changes (Jilke et al., 2015). Further, my key research objective is: To examine what determines the effectiveness and efficiency, as defined by Riggs (1964, p. 263) of the TAK and KC. Based on Riggs' work I identified four testable hypotheses which focus on issues of autonomy (1964, p. 273), meritocracy (p. 275), formalism (pp. 277–281), and mimesis (p. 279).

The hypotheses that I tested are: 1) Higher level of autonomy from political interference leads to more efficiency in an organisation. 2) Higher level of meritocracy leads to more efficiency in an organisation. 3) The more formalistic an organisation is the less efficient it is. 4) The more mimetic an organisation is the less efficient it is. Below I will explain how I proposed to test each hypothesis.

Higher level of autonomy from political interference leads to more efficiency in an organisation.

I proposed to test this hypothesis by looking at the following factors: the appointment of top-level bureaucrats (are they appointed politically, or promoted from within the ranks of the organisation?) The focus on top level bureaucrats such as permanent secretaries and directors is warranted given that the type of their appointment – political versus meritocratic – is a key feature of the administrative model, existence of lifelong contracts, staff turnover, especially after national elections and changes in government.

Higher level of meritocracy leads to more efficiency in an organisation.

I proposed to test this hypothesis by examining recruitment and promotion practices. The questions to be answered are: how strong was the involvement of local political actors in the initial stages of recruitment and institution building? Is there transparent hiring? Are there clear rules of hiring and promotion? Are there ambiguities which make it possible to circumvent the law (such as the possibility of hiring officers that have not graduated yet from university)? Is there a focus on merit in hiring and promotion of officials? Is there a requirement for the appropriate educational background? Are there performance

measurement procedures and are they taken into account in promotion?

The more formalistic an organisation is the less efficient it is.

Formalism indicates the gap between the stated rules and their application. I proposed to test this hypothesis by looking at the non-application of formal legal norms. I proposed to measure this by using the number of irregularities and attempts to circumvent written rules and regulations. One good indicator is the number of cases where “acting officials” are appointed.

The more mimetic an organisation is the less efficient it is.

I proposed to test this hypothesis by studying the foreign assistance (e.g. training) received by the organisation. In this context, I also looked at the impact that international rankings such as the Corruption Perceptions Index (CPI) have on local institutions’ mimetic behaviour including efforts to achieve higher rankings. Measurements would include the number of technical assistance missions, their length, and budget; the number of training sessions, training days, and the type of training; the presence of mentoring and its length; the number of study visits abroad, and the days spent those visits.

#### 3.4.1 Obtaining data

In this section I will outline how I proposed to obtain data in order to test the hypothesis. This is a significant issue as data are not always available, not least due to the fact that in transforming countries record keeping is not always accurate. Also, there is the matter of access to organisations to consider, which I will discuss how I dealt with in the Research design section.

Higher level of autonomy from political interference leads to more efficiency in an organisation.

The proposed data sources to help test this hypothesis are: laws (e.g. Law no. 03/L –149 on Civil Service, Law no. 03/L-192 on Independent Oversight Board for Civil Service of Kosovo, Code No. 03/L-109 on Customs and Excise), regulations (e.g. Government

Regulation No. 6/2010 on Procedures of Appointment to Senior Management Position in Civil Service, Government Regulation No. 06/2012 on Senior Management Positions in the Civil Service of the Republic of Kosovo), institutional data (published and archives), interviews with “insiders” (bureaucrats), and “outsiders” (researchers, analysts, technical assistance experts).

Higher level of meritocracy leads to more efficiency in an organisation.

I propose to use the following data sources to answer these questions: laws (e.g. Law No.03/L –149 on Civil Service, Law no. 03/L-192 on Independent Oversight Board for Civil Service of Kosovo, Code No. 03/L-109 on Customs and Excise), regulations (e.g. Government Regulation No. 05/2012 on Classification of Jobs in Civil Service; Government Regulation No. 19/2012 on Civil Servant’s Performance Appraisal Results; MPA-Ministry of Public Administration Regulation 2/2010 on the Recruitment Procedures in the Civil Service), institutional data (published and archives), interviews with “insiders” (bureaucrats), and “outsiders” (researchers, analysts).

The more formalistic an organisation is the less efficient it is.

The data sources for these measurements would be laws (e.g. Law No.03/L –149 on Civil Service, Law no. 03/L-192 on Independent Oversight Board for Civil Service of Kosovo, Code No. 03/L-109 on Customs and Excise), regulations (e.g. Government Regulation No. 05/2012 on Classification of Jobs in Civil Service; Government Regulation No. 19/2012 on Civil Servant’s Performance Appraisal Results; MPA Regulation 2/2010 on the Recruitment Procedures in the Civil Service, MPA Regulation 3/2010 on Job Description), institutional data (statutes, rules of procedure), interviews with “insiders” (bureaucrats), and “outsiders” (researchers, analysts, technical assistance experts).

The more mimetic an organisation is the less efficient it is.

The data sources for these measurements would include government documents (e.g. Training Strategy For Civil Servants In Kosovo 2011-201) institutional records and interviews, data from international organisations and indexes (e.g. Transparency

International, World Bank, Bertelsmann Stiftung).

### 3.5 Research design

#### 3.5.1 Ontology

Research is affected by biases and philosophies of researchers regardless of how objective they are in conducting research. Therefore identifying and spelling out the *ontology* that the research relies on is important (McNabb, 2015) (Morgan, 2007). Mathews and Ross (2010) summarize the three main ontologies, namely, objectivism, constructivism and realism. Objectivism is the ontological position that the reality of social phenomena is independent of the social actors (Mathews and Ross, 2010, p. 24). Constructivism is the position that social phenomena are constantly constructed ideas by social actors involved in them (Mathews and Ross, 2010, p. 25). Realism holds that social phenomena are separate from social actors, but they can be observed and additionally understood by uncovering hidden dimensions (Mathews and Ross, 2010, p. 26). This research project is based on a realist ontological position. This is more appropriate, as I believe that we can observe “social laws” at work when studying public institutions, yet we must try to understand how individuals inside and outside institutions experience institution-building and institutional performance.

#### 3.5.2 Epistemology

Equally important is identifying the epistemological position of a research project (McNabb, 2015). Below, I will outline the main epistemologies and before I state which epistemological position this research is based on. The three main positions of epistemology are positivism, interpretivism and realism, including critical realism (Mathews and Ross, 2010). Positivism holds that knowledge of social phenomena is based on what can be observed as opposed to subjective interpretations of it (Mathews and Ross, 2010, p. 27). Interpretivism is the position that in order to understand social phenomena we must understand people’s interpretation of them and their own actions (Mathews and Ross, 2010, p. 28). Realism is the epistemological position that social phenomena can be understood both by studying observable facts and understanding hidden structures and mechanisms. Critical realism focuses on identifying social structures and mechanisms that

lead to inequality and injustice (Matthews and Ross, 2010, p. 29).

Creswell (Creswell, 2013) talks of ontologies and epistemologies as “worldviews” and he identifies four of them: postpositivism, constructivism and transformative worldview. Postpositivism relies on observation and measurement of the objective social reality (Creswell, 2013, p. 7). Constructivism relies on understanding the subjective meaning that individuals assign to social phenomena (Creswell, 2013, p. 8). The transformative worldview seeks to have an action agenda against social injustice (Creswell, 2013, p. 9). Pragmatism puts the focus on actions, situations, and consequences (Creswell, 2013, p. 10). Pragmatism allows the researcher to use all the necessary methods to find the answers to the question posed. In his discussion of research paradigms and pragmatism, Morgan (2007) argues paradigms should not be seen as epistemological stances, but rather as belief systems and practices within a field (Morgan, 2007, p. 60). He proposes that pragmatism must focus on “lines of action”, “warranted assertions”, and “workability” (Morgan, 2007, p. 66).

The nature of this research project compels us to consider which epistemological stance is most appropriate. Trying to uncover the workings of two public institutions, which operate in one context (country), but which have differing performance indicators and implications on public revenue, it would not be fruitful to only look at observable hard data. Also, this effort would be lacking if the focus were only on personal narratives of individuals involved in the institutions under study. What is needed is an approach that combines whichever methods are needed to understand the workings of how different factors and causes have led to the current situation. Therefore, the purposes of this research project, I will rely on a pragmatist worldview.

### 3.5.3 Case study

This research project is based on a case study design. Yin (2009) defines the case study as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (p. 18). A case study incorporates elements of a longitudinal and cross-sectional research designs (Matthews and Ross, 2010, p. 129). This was the case in this research project, as I compared two organizations, providing a snapshot of the situation at a

certain point in time, and looking at their development over a time period. Also, the project is exploratory given the nature of the organisations (newly formed institutions in a post-war context) and the fact that we are dealing with a “natural” intervention in the form of international institution building. I used a combined comparative and evaluatory strategy, as this is necessary in order to understand the two organisations under study. This strategy is useful for answering questions such as those related to the impact of the international institution building in each organisation.

The comparative case study method is the most appropriate method to test the hypotheses of this research and answer the research questions. The comparative case study treats each case holistically, allowing the researcher to scrutinize the various aspects of the case (Yin, 2009, p. 8). It allowed me to use several tools such as interviews and document reviews (Matthews and Ross, 2010, p. 128) to determine the factors which impact the efficacy of the Kosovo Tax Administration and the Kosovo Customs.

An important aspect of the research project is the case study protocol. It contains procedures and rules to be followed during the study and is important for the reliability of the case study (Yin, 2009, p. 79). It consists of an overview of the project, field procedure, questions and an outline of the study report. This research design served as the case study protocol.

#### 3.5.4 Selection of organisations and access

As I have mentioned before, I studied Kosovo Tax Administration and the Kosovo Customs. There are two main reasons why I chose to study these two organisations. First, these two institutions were built and operate in the same context, namely the post-war state building context in Kosovo. They were founded within a year of each other (KC in 1999, and TAK in 2000). Second, they have similar functions. They are both revenue institutions. This makes them relatively more comparable than two organisations with different functions. This makes them highly appropriate subjects for a comparative case study.

By using a comparative case study I can discern what accounts for the differences in efficacy between the two institutions. The comparative case study method not only allowed me to look into both the institutions and use records and interviews with institutional

insiders, but, by treating each institution as a “case” in a holistic manner, it allowed me to obtain insights from institutional outsiders as well. Thus, I am not limited to using only a certain type of data, or techniques, but I can use several types of data, data collection techniques and sources, by treating each “case” as multidimensional, addressing the many dimensions, and further comparing the cases.

Regarding the issue of access to organisations I considered that it could be a problem at the beginning. For this reason I decided to prevent possible problems by proactively reaching out to them. I had introductory meetings with the directors of the two organisations before I started my data collection. The director of one organisation changed in the meantime, and I had another introductory meeting with the new director. This enabled me to establish rapport with them and explain my goals for the research. They supported my research and were cooperative. In the end, I did not receive all the internal data that I had requested from them, but I received sufficient data to enable me to conduct my study.

#### 3.5.5 Mixed methods

I utilized mixed methods, with a bias towards qualitative methods. I was aware of the inherent limitations of each set of methods and the lack of a “one true method” (McGrath, 1981). My approach was to look for corroborating data by using several methods through triangulation (Scandura and Williams, 2000; Cowton, 1998). The quantitative methods I used are mostly related to analyses of secondary data. These include data provided by the organisations on their structure and performance, and data collected by the Statistical Office of Kosovo as well as international organisations. Collecting and analysing such data unobtrusively is a way to find accurate information (Frankfort-Nachmias and Nachmias, 1996). These types of data are useful for my case study as they provide additional information to my interview responses and help overcome any shortcomings of the interviews (Cowton, 1998), such as misrepresentation of behaviour (Gatewood and Carroll, 1991). Besides annual reports, I asked for internal data on several matters such as demographic composition of the staff, and training activities. This was an inexpensive way to obtain significant amounts of data, that would have been very difficult to collect otherwise (Hakim, 1982).

The main qualitative tool that I used is the semi-structured interview. I was conscious of its

usefulness as an instrument which allows for exploration of topics (Rubin and Rubin, 2012; Seidman, 2012). Having in mind that interview responses may be skewed due to social desirability response bias (Randall and Fernandes, 1991), especially on topics related to ethical conduct (Trevino, 1986), I sought other sources as well. I also looked at documents published both by organisations under study and governmental bodies as well as international organisations to analyse their content in trying to understand how local and international policies and ideologies have impacted the two organisations (Harris, 2001). Content analysis uses “explicit rules” to analyse messages (Berg, 2001), through classification of communicative signs (Janis, 1965) to study beliefs, organisations, attitudes and human relations (Woodrum, 1984). Having both quantitative and qualitative aspects, content analysis is useful for organising data and understanding the views represented in them (Sarantakos, 1993).

#### 3.5.6 Population and sampling

The unit of analysis of the case study is the organisation (Yin, 2009, p. 30). I compared and contrasted two revenue-collecting organisations out of the many public institutions. These are the Tax Administration of Kosovo (TAK), and the Kosovo Customs (KC). A multiple case design is seen as a better alternative to the single case study design (Yin, 2009, p. 61). Analytically, the study benefited from multiple cases through proving a hypothesised contrast.

I interviewed several groups of informants: staff from within organizations, those working in technical assistance programs in international organisations, and observers outside organizations (including academics). The types of sampling include, probability sampling, convenience sampling, quota sampling, snowball sampling and purposive sampling (Matthews and Ross, 2010, pp. 154–167). I used different types of sampling for each of the groups of informants. The following is a list of the groups of informants: bureaucrats working at TAK and KC, advisers involved in institution-building and technical assistance with the TAK and KC, observers, including researchers and civil society analysts, and service users who use the services of TAK and KC (firms).

The sampling approaches that I used, based on the type of respondents, are as follows. For

officials working at TAK and KC, I used quota and stratified purposive sampling. I stratified the sample, as I was interested in interviewing employees with different levels of responsibility. There were three layers in the sample: high-level managers, middle managers, and low-level officials. For people from international organisations who worked as technical advisers I used convenient sampling. I decided to interview those people that were available and in Kosovo at the time of my data collection. It would have been difficult to seek out advisers who were not there as there is great turnover of advisers. Since they were not the main category I targeted I used convenient sampling only. For outside observers, I used purposive and snowball sampling. I did that in order to get responses from observers who I knew previously had written about related problems. For those who use the services of the two organisations I used convenient sampling (Baxter and Jack, 2008). This is a wide category as the two institutions have a large number of service users. Therefore I decided to interview those that were convenient to locate and have access to.

Regarding the employees of TAK and KC, I stratified the sample to include respondents from different levels of responsibility. I targeted three levels: top managers, middle managers, and officials. I did this in order to obtain a more diverse range of views from employees of the institutions. I found that senior level managers are often more open to discussing various topics compared to staff lower in the hierarchy. The selection of individuals was mixed, in the sense that I asked to interview several officials with certain functions, and the organisations offered access to some other officials. What I asked for was to interview the directors and officials dealing with human resources and human resource development such as training and capacity building. I was able to interview them as I requested. Additionally, other respondents were chosen based on convenience considering how busy they were or their location.

Sample:

Respondent type:	Internal		External		
	TAK	KC	Observers	Technical advisors	Service users
Stratification	Senior officials including directors		Not applicable (NA)		

Stratification	Middle managers	NA
Stratification	Low-level officials	NA

### 3.5.7 Data collection

The main sources of evidence for this study are documents, archival data, and interviews (Prior, 2003). I also used direct observation informally as a source of evidence. What I mean here is that during my interview meetings and when I went to the offices of TAK and KC to set up meetings, I observed the buildings both outside and inside the offices for any important symbols. Also, I observed the behaviour of the staff members, such as security guards. I did this to look out for signs of prismatic behaviour such as the display of political symbols in offices. I looked at people in organisations when I was in the building for interviews or setting up meetings.

#### 3.5.7.1 Qualitative data (interviews with observation)

I proposed to conduct pilot interviews initially using an interview protocol that includes questions related to each hypothesis (Kvale, 1996, p. 129). Depending on the outcome of the pilot interviews, I proposed to modify the interview protocol if needed. I did not have to modify the interview protocol greatly. The key difference was between institutional outsiders and insiders, where I did not have to ask outsiders certain questions pertaining to their position within TAK and KC.

Initially, I planned to conduct a pilot study with several interviews. Pilot studies are quite common and are used to help test the appropriateness of research instruments (Teijlingen and Hundley, 2002). I had planned to then go back to Kosovo for another visit to do the full study after I had made the necessary adjustments to the interview guide. The full study was supposed to be influenced by the information I gathered in the pilot study. However, when I started doing the pilot study, I found that the information I was getting through the interviews was satisfactory, and I did not need to make major changes to the interview guide. The changes that I made were mainly related to the type of respondents. Thus, when I interviewed respondents from outside TAK and KC, I did not have to ask questions about

their current position in TAK or KC, therefore I dropped several of the introductory questions. I found that I was obtaining useful information. The responses were satisfactory in the sense that interviews were covering the topics that I wanted to cover in the main study (see Annex 3: Interview protocol and guide). It is also common for qualitative researchers to use data collected during pilot studies as if they were part of the main study (Teijlingen and Hundley, 2002). Also, I found that it was easier to set up meetings for interviews while I was there in Kosovo, as opposed to setting them up after returning from the pilot study. These factors convinced me to continue with the interviews, and convert the pilot study into the full study.

Regarding observations, the data was collected during my meetings with officials. The lengths of these meetings were approximately one hour for interviews, and 15 minutes during my efforts to set up meetings. The personnel were aware that I am a researcher conducting research for my PhD. The number of observations coincided with the number of interviews and the meetings setting up interviews. Also, they included a wider observation of the building. I use the word “informal” because I did not rely on direct observation as a main data gathering technique, and only relied on it as a complement to my interviews.

#### 3.5.7.2 Quantitative data

Documentation and archival records are exact, unobtrusive, stable and cover the time span under review; archival records, in addition, are precise and provide us with the necessary quantitative data (Yin, 2009, p. 102). Interviews are a more targeted and insightful source of evidence. These types of data collection are appropriate for the type of case study I conducted. Selecting other sources of evidence such as participant observation or formal direct observation would not be appropriate because I studied the development of two institutions from their creation until the present day, and not the dynamics of staff members within an institution over time.

I sent an email with a list of data that I needed to both the organisations, having to do with staff turnover, staff demographics, capacity development and other related information (see appendix for the list of questions) (Please see annex 5). I received information from them on some of my questions, and not all of them. I sent the same questions to both

organisations in order to obtain comparable data. This was useful, as the data on training that I received from both organisations was very informative. Many of the questions regarding internal data were of a quantitative nature. This meant that my document analysis took a quantitative form. I also quantified information I received on several issues, such as the reasons why employees left the organisations (Berelson, 1952). This enabled me to not only look into the type of phenomena occurring, but also infer their intensity and prevalence (Potter and Wetherell, 1987).

### 3.5.8 Reliability and validity

As this is a case study of two organisations covering a period of a decade and a half it is difficult to make claims about reliability and validity, due to the fact that individuals change over time and in space (Giddens, 1979). I undertook a research project that aimed to look at two organisations holistically. I used standard techniques in a longitudinal study of organisations. Perceptions change over time and this may be reflected in the study. I had pre-existing knowledge of the organisations, and my findings do not stray far from my perceptions of the organisations. Pondering my role in data gathering (Berg, 2001), I believe that the fact that I am Kosovan and had some prior knowledge of the organisations both facilitated and hampered the research process. I tried to limit any negative influences arising from my familiarity with organisations. The interviewees that I talked to were largely picked randomly. I was only interested in making sure I interview the directors of the organisations, and did not have preferences for other interviewees. They were selected by the organisations, except in the case of two key informants, one of whom I knew personally and the other was suggested to me by an outside observer due to his longevity and knowledgability.

### 3.5.9 Generalisability

This study has potential insights that transcend (Scandura and Williams, 2000) the two organisations that I studied and the country context. It can potentially help shape discussion with theory on post-conflict state building and institution building. It could also inform the study of institutions in transforming countries in general, and particularly in former communist countries, post-war countries as well the study of pockets of effectiveness in developing countries. I offer my conclusions as caveats, as I understand

that institution building processes take different forms elsewhere. However, I propose that it is worthwhile to conduct a similar study in other countries with similar characteristics as Kosovo.

### 3.5.10 Data analysis

Matthews and Ross (2010, p. 340) identify six types of data analysis strategies, namely, statistical analysis, thematic analysis, discourse analysis, content analysis, analysing narrative and grounded theory. Each of these strategies is related to specific data collection methods. Yin outlines four general strategies for analysing evidence in a case study: relying on theoretical propositions, developing a case description, using both qualitative and quantitative data, and examining rival explanations (2009, pp. 130–133). Further he suggests selecting one of five analytic techniques: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis (Yin, 2009, pp. 136–156). For the purposes of this study, the general strategy of relying on theoretical propositions and the technique of explanation building are more relevant.

The data analysis relies less on both secondary data, and more on interviews. In order to test the hypotheses regarding the levels of autonomy and meritocracy, formalisation, application of legal norms, and training, I undertook a literature review of laws, regulations and institutional records. I conduct this ahead of, and in parallel with the interviews.

Initially, I processed the interviews with qualitative analysis software (Nvivo), and later I moved to Excel and manual processing. As I was going along, I found that Nvivo was restricting me in my attempts to do an inductive analysis. As I created categories in Nvivo, I found that I was being forced to use the categories that I created instead of looking for emerging new themes. This is the main reason I switched to manual processing with the help of Excel. I coded the answers based on the emerging common themes. Then, I provided an analysis and integrated the emerging themes into the overall findings constantly being mindful of new insights (Glaser and Strauss, 2009, p. 253). Strauss and Corbin (1998, p. 94) provide useful techniques for data analysis such as the flip-flop technique (turning a concept inside-out or upside-down), the systematic comparison of two or more phenomena which looks at the prevalence and properties of a concept in varying conditions (p. 95), and waving the red flag which focuses on the researcher challenging

his/her assumptions and biases and scrutinizing the statements of respondents as opposed to face value acceptance or rejection (p. 97). I was interested in an inductive analysis and to prevent any of my pre-existing biases determine the outcome of the analysis. This is the main reason why I chose these analytical strategies.

## 4 CONTEXTUAL BACKGROUND OF KOSOVO

In this chapter I will provide a contextual background of Kosovo including list of socio-economic and developmental data, as well as international rankings. Also, I will present a brief summary of the modern history of Kosovo. This includes an outlining of the political developments since the fall of communism in 1989, and leading up to the war of 1998-1999. Finally I will explain briefly the process of institution building by the international community from 1999.

### 4.1 Problems of the discourse on Kosovo and the Balkans

Before we move on to the above mentioned aspects of the Kosovan context, I will pay attention briefly to the discourse which is commonly used when talking about Kosovo and how this study aims to challenge it. Ethnic conflict has been the main prism through which Kosovo and its surrounding region of the Balkans has been viewed recently in both academic and public discourse. Kosovo experienced a decade of apartheid and a war in the 1990s under the Milosevic regime in rump Yugoslavia (FRY). Also, the region has experienced conflicts during the dissolution of Yugoslavia (SFRY) throughout the 1990s. The underlying causes of the Yugoslav wars and dissolution are complex and largely have to do with horizontal inequality between the republics (Pavković, 2004). In any case, the motivation to go to war was provided by ethnic nationalism, which became the prevailing ideology in the late 1980s and 1990s. The region is often spoken about as a hotbed of nationalism. And, subsequently, the whole region and its problems were seen through the prism of nationalism (Hammond, 2005).

The problem with this discourse is that it is essentialist. It implies that ethnic groups have inherent properties, which in the case of the Balkans include, animosities between ethnic groups and propensity for violence (Bakić-Hayden, 1995). The wars of the 1990s only added to the pre-existing prejudices about the Balkans as the “danger-zone of Europe” (Hammond, 2005; Todorova, 1997). This tendency to view the Balkans in essentialist terms has been labelled as “balkanism” by authors, drawing from the concept of “orientalism” coined by Edward Said (2014).

As we saw in the brief discussion above, the discourse about the wars of Yugoslav succession has been based on ethnic terms. By extension discussions on post-war state building and democratisation have been influenced strongly by this focus on ethnicity. Furthermore, policies of international mediators have relied on the same discourse (Kostovicova and Bojicic-Dzelilovic, 2006). This is especially the case with conflict-resolution strategies, which have sought to accommodate the demands of ethnic groups. This approach has gone so far as to design institutions that are inherently discriminatory.

Two important such examples are the Dayton Agreement of 1995 outlining institutions in post-war Bosnia and the Prishtina-Belgrade Agreement of 2013 on the integration of Serb-majority municipalities in northern Kosovo. The Dayton Agreement, which was found in breach of the European Charter for the Protection of Human Rights and Fundamental Freedoms (ECHR) by the European Court of Human Rights in Strasbourg, stipulates that senior politicians in Bosnia must be from so-called “constituent peoples”, namely Bosniaks (Bosnian Muslims), Serbs and Croats, thus discriminating against other ethnic groups and people who do not want to declare an ethnicity. The Prishtina-Belgrade Agreement outlines that the commander of the police station of northern Mitrovica has to be an ethnic Serb, thus excluding all other ethnicities (European Union, 2013). The agreement of February 2015 between Serbia and Kosovo on the judiciary in northern Kosovo is also problematic as it divides posts in the courts and prosecutorial service among Albanians and Serbs, excluding members of other ethnic groups or those who do not wish to declare as belonging to an ethnic group.

#### 4.2 Understanding the break up of Yugoslavia and state-building in Kosovo

Because of the misunderstandings that the prevalent essentialist discourse on the Balkans has created, it is necessary to take a more objective and critical approach to the problems in the region. Here I will provide a brief summary of an alternative explanation for the state of affairs in the Balkans especially with regard to state building and ethnic nationalism. In order to understand the conflicts in the Balkans, it is better to think of them in terms of the failure of Yugoslavia to build a successful state. Yugoslavia fits in the category of “quasi-states”, as a country with no history, common ethnicity or successful constitutional

integration (Jackson, 1993). The failure of Yugoslavia to build a successful modern state and society led to ethnonationalist mobilization and fragmentation. Due to the reluctance of dominant ethnic groups to relinquish power, it is highly likely that conflict will not be resolved peacefully (Riggs, 1995, 1994). This is how history played out in Yugoslavia, where the politically dominant group, Serbs, refused to relinquish power peacefully to other groups. This has had political consequences in the post-fragmentation period. In the case of Kosovo, the international community after the war in 1999 aimed to ensure the protection of the previously politically dominant Serb minority similar to the pattern in South Africa by implementing a form of consociationalism (Lijphart, 1969; Riggs, 1995). Those efforts of the international community led to resentment among the newly liberated Albanian majority in Kosovo due to the small proportion of the Serb minority in the population and Serbia's interference in Kosovo's politics through Kosovo Serb political parties. In the section on institutions below we will see briefly how consociationalism implemented in Kosovo led to overrepresentation of minorities in institutions and how it impacted public discourse on institution building. However, first let us look at some introductory data and a summary of recent developments.

#### 4.3 Introductory data on Kosovo

Kosovo is located in south central Europe, and borders Serbia to the north and east, Macedonia to the south, Albania to the west, and Montenegro to the northwest. Its territory comprises 10,908 Square kilometres. Its population is 1,815,606, comprising of Albanians 91.1%, Serbs 3.5%, Bosniaks 1.5%, Turks 1%, Roma 0.5%, Ashkali 0.9%, Egyptians 0.6%, Gorani 0.6% and others 0.1% (Kosovo Agency of Statistics, 2011).

Below are a series of important indicators (from the Kosovo Agency of Statistics from the 2011 census) that help us better understand the social context in Kosovo. Rural population makes up 61% of the entire population. The labour force participation rate is 36.9%, and unemployment 35.1%. The real unemployment figure is higher; this figure was achieved by not counting the unemployed who stopped looking for a job. Youth unemployment stands at 55.3%. GDP per capita is 2,721.00 Euro. The number of employees in public sector is 78,068, with the public sector being the largest employer. The average salary in the public sector is 368 Euro. People living in poverty make up 34.5% of the population,

whereas 12.1% of people live in extreme poverty.

Another demographic indicator is religion. In terms of religion, according to the 2011 census, 93.5% are labelled Muslims, 3.5% Christian Orthodox, 2.2% Roman Catholic, 0.1% other and around 0.7% report no religion/do not answer/not available. In general the level of secularism is comparable to other European countries, especially former communist countries. A survey by Pew Research (Liu, 2012) found that only 81% of those who label themselves as Muslim, express belief in God as required by the religion. The proportion of people who say religion is very important in their lives is 44%, which is comparable to other former communist countries (Russia 44%, Bosnia 36%, Albania 15%), and the percentage of people who attend mosque at least once a week is 22%, again comparable to former communist countries (Bosnia 30%, Russia 19%, Albania 5%) (Liu, 2012).

Further, I will list three important indicators and international rankings. The Human Development Index (HDI) is 0.714, (from 0 to 1, where 1 is highest/best score), with Kosovo ranking 87<sup>th</sup> in the world, within the second-best category of “High Human Development” comprising of 53 countries. HDI is an index devised by the United Nations Development Programme (UNDP). It measures these dimensions of human development: life expectancy, education (mean years of schooling), and standard of living (Gross national income per capita) (“Human Development Index (HDI),” n.d.). Corruption Perception Index (CPI) is 33, (from 0 to 100 where 0 is very corrupt), ranking 111 out of 177 countries (2013). CPI is an index designed by the non-governmental organisation Transparency International, and is based on perceptions from opinion polls conducted in the ranked countries. Bertelsmann Transformation Index (BTI) is 6.28, (from one to 10 where 10 is highest/best score) ranking 41 of 128 countries (2012). BTI is an index designed by the German Bertelsmann Foundation. It measures the quality of democracy, market economy and political management in transforming countries, which includes developing and transition (post-communist) countries.

We have seen several demographic and socio-economic indicators of Kosovan society. Also, we saw how Kosovo ranks internationally in terms of human development, perceptions of corruption. Let us look briefly at historical developments to better understand the context of Kosovo.

#### 4.4 Brief historical background

Kosovo was the centre of the movement for Albanian independence from the Ottoman Empire in late 19<sup>th</sup> and early 20<sup>th</sup> century (Malcolm, 1998). In 1912, Albania was granted independence by the Great Powers, but its new borders did not include Kosovo, which was occupied by Serbia in the Balkan wars (Malcolm, 1998). Subsequently Kosovo became part of the Kingdom of Yugoslavia between two world wars (Malcolm, 1998).

Kosovo was part of the Socialist Federal Republic of Yugoslavia from 1945 to 1992, the (rump) Federal Republic of Yugoslavia from 1992 to 1999 when it became an international protectorate. It declared independence in 2007, and has been recognized by the majority of the UN members. Kosovo is the poorest of the former Yugoslav republics and one of the poorest countries in Europe (Kosovo Agency of Statistics (KAS), n.d.).

#### 4.5 Development of underdevelopment

Kosovo was the least developed region in the communist Yugoslavia. In the immediate post-WWII period Kosovo was put under direct military rule from Belgrade (Malcolm, 1998). Although Yugoslavia experienced a post-war period of growth, the development of its underdeveloped regions was not a priority. The period between 1945 and 1966 is considered an especially difficult era in Kosovo's history. Yugoslav security services were under the control of Aleksandar Rankovic, a Serb nationalist, and they played an important role in the persecution of Kosovo's population with the aim of forcing them to emigrate (Malcolm, 1998). Land confiscation had the effect of forcing a large percentage of the population to emigrate or be consigned to poverty (Malcolm, 1998). Rankovic's resignation in 1966 provided relief for large parts of population throughout Yugoslavia and especially in Kosovo (Malcolm, 1998).

In terms of the economy, in the post-war period, there was a divergence of average income of Kosovans with that of Yugoslavs. In 1947, average income in Kosovo was 52.4% of that of Yugoslavia (Pettifer, 2002). In 1962, the average income of a Kosovan fell to 34%

compared to that of a Yugoslav (Pettifer, 2002). In the late 1960s and 1970s Kosovo underwent a period of industrialization, undertaken by Tito's regime. Industrial production constituted 33% of Kosovo's GDP in 1971, whereas agriculture constituted 29%, with the rest being services (Pettifer, 2002). As a result of this period of industrialization, in 1988 industrial production comprised 48% of GDP, agriculture stood at 20% whereas, services comprised 32% of GDP (Pettifer, 2002). In 1989 industrial production managed to surpass 50% of Kosovo's GDP (Pettifer, 2002; Kosovo Agency of Statistics (KAS), n.d.). This is the high point of industrial production in Kosovo.

However, even this period of industrialization did not lead to significant achievements in development in relation to other Yugoslav regions. The main reasons for this were related to the type of industry developed. The focus of investment was in extractive industries such as mining (Pettifer, 2002). There was never any effort to build a manufacturing base in Kosovo. Most of the activity was low value added. Minerals were exported to the Soviet Union, or to other Yugoslav regions for higher value chain production, and the profitable surplus was sent to the metropolis in Belgrade and not invested in Kosovo (Pettifer, 2002). At this time a common slogan of Kosovo Albanian resentment was "Trepça works, Belgrade builds," Trepça being the largest mine in Kosovo (Pettifer, 2002).

The successes of this industrial era were only modest in achieving higher incomes for Kosovans. In 1980, the average income for Kosovans was only 40% of Yugoslav average (Pettifer, 2002). This constitutes an increase of only 6% from 1962. Clearly, the industrialization based on extractive industries had failed to bring convergence between Kosovan and Yugoslav incomes.

The Yugoslav political elite recognized the problems that would arise from the inequality between the Yugoslav regions. This is why in 1964 was founded the Fund for the Development of the Under-developed Republics (FARDUK) (Pettifer, 2002). This fund was active from 1964 to 1990. Kosovo was one of the main beneficiaries of this fund. However, even this initiative failed to have an impact in achieving equality in incomes. During the 1970s (from 1971 to 1981), investment per capita in Kosovo was only at 57% of the investment per capita at federal level (Pavković, 2004) (Pettifer, 2002). In 1991,

Pristina was still the poorest of the regional capital cities in Yugoslavia, with a GDP per capita index of only 70% of the Yugoslav level, with Belgrade standing at 147% and Ljubljana, the richest, at 260% (Pettifer, 2002). Reasons why the fund failed are many, including mismanagement and bad planning. One important reason was that Serbia directed many of the funds outside of Kosovo to Serbian areas instead of within Kosovo as intended. This was possible as Serbia was responsible for managing the fund for Kosovo (Pettifer, 2002) (Kola, 2003).

There has been a lot of discussion around FARDUK, with Belgrade claiming that it was funding Kosovo's development and accusing Kosovo of ungratefulness. This debate is similar to that of global aid. It is very questionable if aid works and if it is desirable at all, as it has negative effects for recipient countries such as dependency, lack of investment, and instability. Indeed, one of the effects of FARDUK was the increase in resentment between the regions, with richer regions complaining about having to fund the poorer ones. In 1990 Slovenia declared that it was halving its funds for FARDUK. Such resentment, along with the disparities in development, was one of the key reasons for the wars and the break up of Yugoslavia.

The instability of the 1990s was characterised by deindustrialisation of the economy. Kosovo's deindustrialization had severe effects on its economic wellbeing. In the early 1990s, the new regime led by Milosevic, fired all Albanian workers from jobs in the public sector including public enterprises (Bellamy, 2000). This led to increases in poverty and emigration (Bellamy, 2000). Kosovo's education and health sectors were also severely damaged. The 1990s period saw a severe setback for Kosovo's society. It led to increases in unemployment and poverty, which continue to be major problems for Kosovo. Also, the achievements of modernization were challenged strongly as people were forced to revert to traditional ways of life in order to survive. Migration, subsistence agriculture and reliance of family networks became a necessity for survival.

Also, as you can see in the map below, there are variances in development within Kosovo. Decades of underinvestment in Albanian-majority areas have led to differences in levels of development (Kosovo Agency of Statistics (KAS), n.d.). Industrialization was based

primarily in the north and east, where the Kosovo Serb population was concentrated. The central and western regions are less developed, and it is these areas that played a key role during the war in 1998-1999. The least developed areas overlap with the locations that saw intensive fighting and activity of Kosovo Liberation Army (KLA) during the war. This pattern of development and the war experience have had political consequences, as we will see further in this chapter. Also, if we compare the human development map with the map of results of parliamentary elections in 2014 we can see an overlap between levels of human development and support for certain parties. PDK's strongholds are in the less developed areas in the Centre and South East. AAK's stronghold is in the less developed areas in the west. LDK's strongholds are in the North East and more developed areas in the West. Whereas the support for Self-Determination Movement comes mainly from the East and urban areas throughout Kosovo. Serb parties receive support exclusively from Serb areas in the North and East, which are more developed. Also, strongholds of PDK and AAK are mainly areas that sustained heavy fighting during the war. And, both PDK and AAK are parties that claim to be successors of the KLA.

Figure 5: Kosovo's Human Development Index (HDI) by municipality (2004)

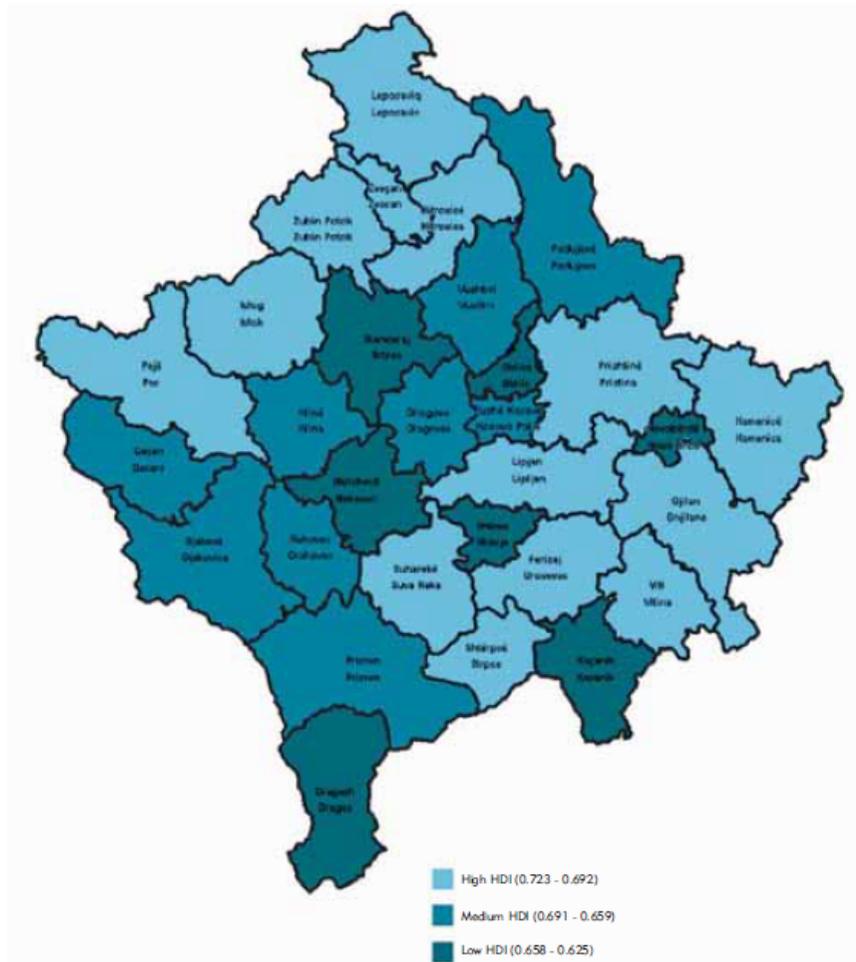
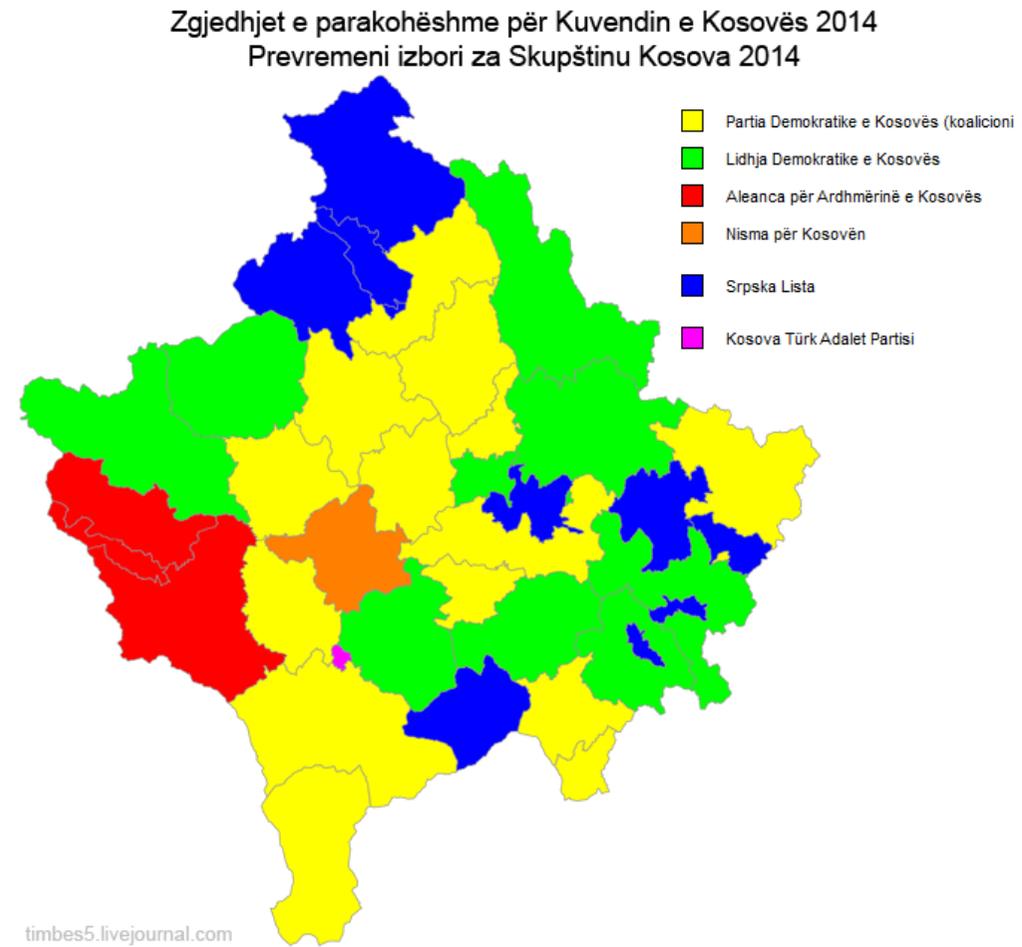


Figure 6: Results of parliamentary elections by municipality (2014)



#### 4.6 Political developments in Kosovo since the 1990s

Kosovo was a constituent unit of the Yugoslav federation, with important rights enshrined in the constitution of 1974. In the late 1980s and early 1990s, when Yugoslavia was collapsing, political pluralism came to Kosovo with the changes that swept communist Europe in 1989. However this pluralism developed under special conditions in Kosovo, namely, occupation and apartheid. Kosovo was occupied by Serbian / Yugoslav police and army in 1989, after Milosevic came to power in Serbia (Yugoslavia's dominant republic) in a wave of nationalism. Kosovan political parties declared Kosovo an independent country in 1991. They organized elections and chose a parliament and government. However, Kosovo was not recognized internationally as a country, and 'government' was forced underground, as part of a 'parallel society' (Clark, 2000, p. 64).

The biggest political movement of this time was the Democratic League of Kosovo (LDK), which ran the unrecognized "Republic of Kosova". After nearly all Kosovo Albanians were expelled from public jobs, schools, universities, and hospitals, the LDK-led government was responsible for providing many services, such as health and education, to the Kosovan Albanian population (Bellamy, 2000). This was done through "parallel institutions" that ran schools and health centres and was made possible through the donations or "voluntary taxation" of ordinary Kosovans and the Kosovan Albanian diaspora communities in Western Europe and the USA (Clark, 2000).

LDK led nonviolent resistance to the Milosevic regime (Clark, 2000). However, this did not bring any achievements and the state of human rights in Kosovo had deteriorated. In 1995, Milosevic signed the "Dayton Agreement" to end the war in Bosnia, and was accepted as a partner by the international community. This led to increasing pressure on the Kosovo Albanians and further violations of human rights, as Milosevic thought he had a free hand. Also, the international community did not address the situation in Kosovo during talks with Milosevic over Bosnia. These developments led to the start of armed resistance to the regime of Milosevic, organized by the Kosovo Liberation Army (KLA). War ensued and led to atrocities and efforts by Serb security forces to ethnically cleanse Kosovo Albanians, which brought NATO intervention against Serbia. The war ended on 12 June 1999 with the signing of "Kumanovo Agreement" between NATO and the Federal

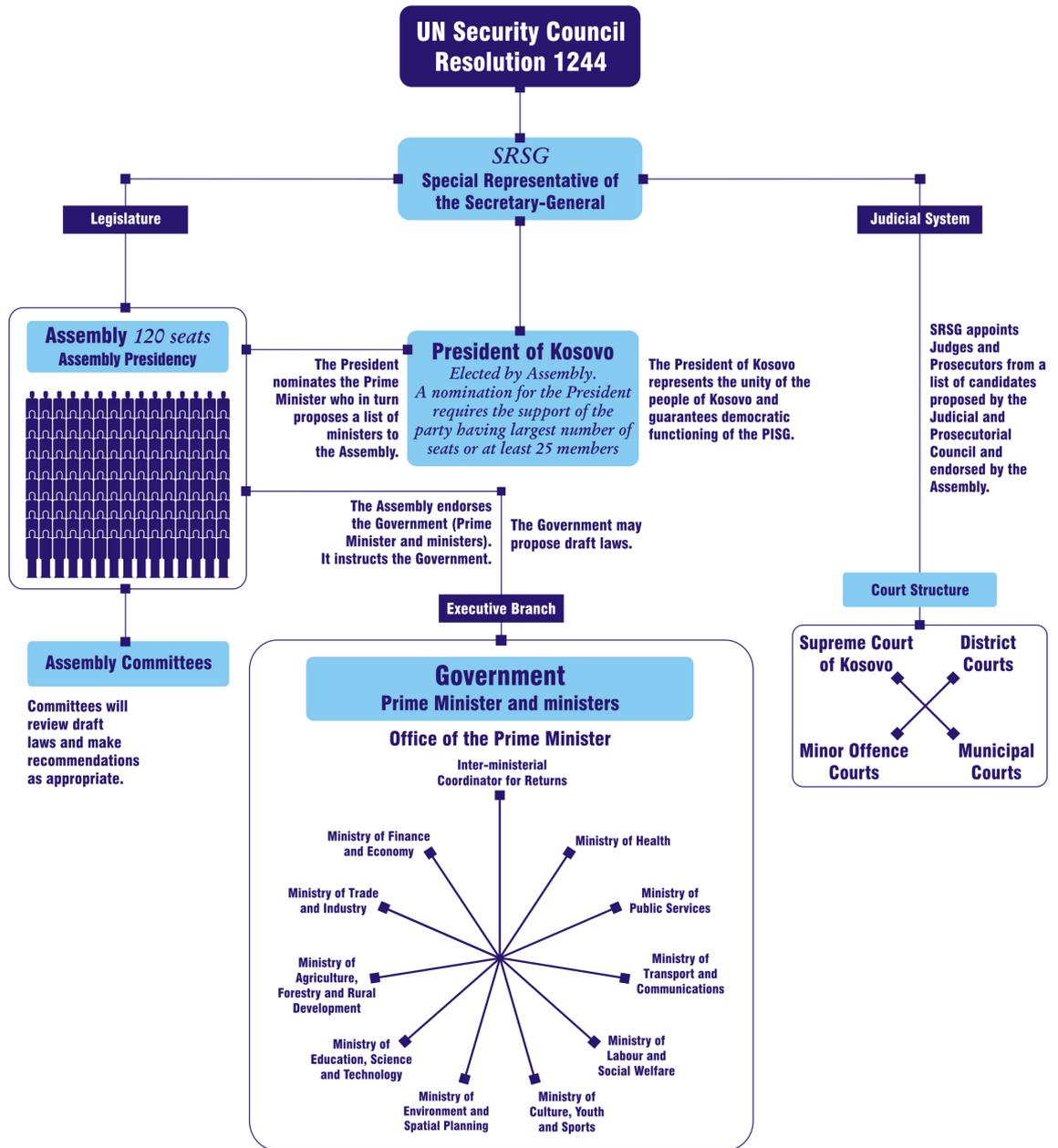
Republic Yugoslavia (consisting of Serbia and Montenegro) (UNSC, 1999).

NATO established the Kosovo Force (KFOR) as a peacekeeping force. This was sanctioned by Resolution 1244 of the United Nations Security Council (UNSC). Resolution 1244 set up the UN Interim Administration Mission in Kosovo (UNMIK), whose mandate included preparing Kosovo for “self-government” (UNSC, 1999). It also formally acknowledged the sovereignty of the Federal Republic of Yugoslavia (FRY) over Kosovo. This meant that UNMIK was in charge of institution building. A Special Representative of the Secretary General of the UN (SRSG), who was a European, with an American Deputy SRSG, headed UNMIK (UNSC, 1999).

After the war UNMIK was faced with the tasks of helping the refugees return to their homes and beginning the reconstruction of Kosovo (UNSC, 1999). UNMIK set up the Joint Interim Administration Structures (JIAS), which were staffed by both international and national staff. The first elections were held in 2000 at the local level, which were the first free elections in Kosovo (KDI, 2009). Subsequently, in 2001 elections were held for the Central Assembly (CEC, n.d.). UNMIK designed a “Constitutional Framework” which set the stage for the creation and functioning of democratic “Provisional Institutions of Self-Government” (PISG) (UNMIK, 2001). It also included specific provisions on guaranteed representation of ethnic minorities in the Assembly, the government and the civil service. The diagram below shows the structure of the PISG:

Figure 6: Government system in Kosovo (2001-2008)

## The Structure of the Provisional Institutions of Self-Government (PISG)



Source: UNMIK.

Gradually, UNMIK transferred its competencies to the PISG. On 17 February 2008, after failed negotiations with Serbia on the status of Kosovo, mediated by former Finnish President Maarti Ahtisaari who proposed a solution of supervised independence, the PISG

declared the independence of Kosovo. The Republic of Kosovo has been recognized by 105 countries, but not by Serbia or Russia, which oppose Kosovo's membership in international organisations. The declaration of independence was done in coordination with the international community, this was conditional upon acceptance of “supervised independence” for a period of five years. An International Civilian Office (ICO) was set up to ensure Kosovo respects the provisions of the “Ahtisaari Settlement” which guaranteed rights to minorities (Lemay-Hébert, 2012). The ICO had the right to veto certain decisions of the government, especially in economic and fiscal affairs (Capussela, 2015). Also, the EU set up a rule of law mission (EULEX) which had a mandate to assist rule of law institutions, including an executive mandate in cases related to corruption, organized crime and war crimes, especially in the northern area of Kosovo mostly inhabited by Serbs most of whom do not recognize Kosovo's authorities. Supervised independence concluded in 2012. However, this did not conclude the international involvement in Kosovo's affairs. Foreign embassies, such as the embassies of USA, UK, Germany, France and Italy, have a strong influence in Kosovo (Capussela, 2014). For instance, a representative of the US embassy sits in the board of the Kosovo Privatization Agency. This is reflected in the available space for contestation of policies, which is constricted by the prevailing influence of neoliberal economic policies.

#### 4.7 Political parties and elections

Post-conflict party systems differ from those of emerging democracies. Whereas in emerging democracies there is usually one dominant party, post-conflict systems are dominated by at least two strong parties (Manning, 2002). The main parties in Kosovo are the Democratic League of Kosovo (LDK), the Democratic Party of Kosovo (PDK), Alliance for the Future of Kosovo (AAK) and the Self-Determination Movement (VV). Whereas LDK is a party of the pre-war parallel government, PDK and AAK were founded by people involved in the Kosovo Liberation Army. AAK is a mostly regional party with a stronghold in Western Kosovo. PDK's stronghold is in Central Kosovo. And LDK's stronghold is in Eastern Kosovo. “Self-Determination” is an anti-establishment movement, which opposes international involvement in Kosovo and the clientelistic politics of PDK, LDK and AAK.

In 2001 LDK won the first parliamentary elections, however it formed a grand coalition with PDK and AAK (as well as ethnic minority parties) with the Prime Minister's job going to PDK (CEC, n.d.). The 2004 parliamentary election was also won by LDK, which formed a governing coalition with AAK who took the Prime Minister position. In 2007 the PDK won the election, and it formed a governing grand coalition with the LDK as a junior partner, with PDK keeping the Prime Ministerial position. The 2010 elections, which had many irregularities, resulted in a win for PDK who formed a government with AKR (Alliance New Kosovo, a small party). The June 2014 election resulted in a plurality for PDK, which led to a stalemate as the other parties formed a post-electoral coalition to oust PDK. However, after months of sustained pressure by the PDK and the international community, LDK, the second largest party, switched sides and formed a grand coalition with PDK led by a LDK Prime Minister.

Both the pre-independence and post-independence constitutions proscribed guaranteed representation of ethnic minorities in parliament and government (UNMIK, 2001) (Marko, 2008). Thus, every government coalition has included ethnic minority parties. Also, the parliamentary system is designed to ensure over-representation of minorities. This often led to situations where ethnic minority parties held nearly a third of the seats in parliament, while they made up only 8% of the population (CEC, n.d.). This has enabled a party holding a small plurality advantage to form a government with ethnic minority parties, such as the government from 2010 to 2014.

Further, it is noteworthy that out of the five post-war governments, three have been grand coalition governments involving the two largest parties, PDK and LDK (CEC, n.d.). Despite rivalries between these two parties, they governed together in coalitions. This cooperation can be attributed to the international pressure on both parties to cooperate, and to the circumstances regarding the status of Kosovo and the desire of Kosovan citizens for political unity over the issue of independence.

#### 4.8 Institution building

The process of institution building in Kosovo was impacted strongly by ethnicity-based approaches of the international community (Stahn, 2001). Political institutions especially

were designed to ensure representation based on ethnicity (Bieber, 2004). The focus was very much on obtaining legitimacy for political institutions among ethnic minorities, especially the Kosovo Serb minority. In this section first I will provide an overview of political institutions, then I will talk about the public administration and specifically TAK and KC.

The Kosovo parliament, consisting of 120 MPs, had 20 “reserved seats,” for ethnic minority representatives (CEC, n.d.). On top of that, ethnic minority parties competed with ethnic majority parties for the remaining 100 seats. Thus the parliament was split in two types of seats: 100 seats which were distributed to all parties including ethnic minority parties, and 20 seats distributed only to ethnic minority parties. Of these 20 reserved seats, 10 were set-aside for Kosovo Serbs, and 10 for other minorities. Although, minorities made up around eight per cent of the population, reserved seats in parliament constituted 16% of all seats. This led to the situation in 2001, where a party belonging to the Serb minority (which constituted around 4-5% of Kosovo’s population), won 11% of the vote, and through the reserved seats, had over 18% of the seats in parliament (CEC, n.d.). Due to positive discrimination all the ethnic minority parties combined won 29% of the seats, although ethnic minorities constituted about 8% of the population.

This design of the Kosovo parliament, which consisted of overrepresentation of minorities, was chosen by UNMIK with the aim of ensuring the participation of minorities in elections (Bieber, 2004). This is especially the case for Serbs, which under the influence of Belgrade were threatening not to participate in elections (Bieber, 2004). Naturally, there was strong criticism of this design from sections of the Kosovo Albanian society. One result of this that the issue of minority overrepresentation and the influence of Belgrade within Kosovo took a large space in public debate, overshadowing other considerations in institution building such as accountability and meritocracy.

The parliamentary representation system was changed slightly with the Ahtisaari Proposal for Kosovo’s independence. In the post-independence period, instead of “reserved seats” there is a system of “guaranteed seats” for minorities (CEC, n.d.). This means that out of 120 seats, 20 seats are guaranteed for ethnic minority parties regardless of how many votes they win (CEC, n.d.). Therefore ethnic minority parties will get at least 20 seats regardless of the percentage of the votes they win. For example, if ethnic minority parties get only

10% of the vote, they would still get 20 seats. However, if they win more than 20 seats through the vote, then they would keep all additional seats.

As for the cabinet, there is a constitutional requirement that if there are 12 ministries or less, two should go to minorities, one to the Serb minority and one to other minorities (Marko, 2008). If there are more than 12 ministries then additional ministries should be given to Serb and other minorities. This rule is the same in the current post-independence period as it was under UNMIK (Marko, 2008).

Regarding the public administration, there are requirements for representation of minorities. Article 61 of the constitution guarantees

“equitable representation in employment in public bodies and publicly owned enterprises at all levels”

for minorities. The Law On the Protection and Promotion of the rights of Communities and their members in Kosovo states that

“Persons belonging to communities shall be entitled to equitable representation in employment at all levels in publicly owned enterprises and public institutions, including the security sector, the Judiciary, the prosecution service, government agencies relating to the administration of justice and correctional facilities, defence, security, and intelligence”

in Article 9.5. Further, in Article 9.6 it mandates that

“where persons belonging to communities find it difficult to meet standards for admission to positions in public services, including in particular higher-level positions, special measures shall be provided.”

There is a 10% requirement for minority staff within the civil service according to the law on civil service (Korenica et al., 2011). Therefore, institutions must hire minority staff to ensure representation of minorities reflecting the population of Kosovo. The labour law prohibits any form of discrimination including based on ethnic grounds (Avdagic, 2005). The law on language use also impacts the public administration as well as other institutions (Bieber, 2004). It defines the Albanian and Serbian languages as national official languages, and it ensures official status for other languages at the local level.

In this context of very strong dominance of ethnicity in public discourse as well as public policy, it is necessary to explore the issue in this study. However, the aim here will be not

to reproduce essentialist assumptions about ethnicity. Rather, I will try to challenge these assumptions as unnecessary and damaging to the understanding of organisational performance and state building in general.

For the purposes of this study I will consider four profiles of ethnic diversity. First is the diversity of the general population in Kosovo. Second is the constitutional and legal framework on ethnic representation in public institutions. Third is the ethnic composition of the staff at the Tax Administration. And fourth is the staff composition of the Kosovo Customs Service.

The Kosovo Customs was established by UNMIK in 1999 and handed over to national authorities in 2008, several months after the declaration of independence. It was the first institution created by UNMIK and the last one to be handed over to the Kosovan authorities. The ICO continued to be responsible for major decisions regarding the Kosovo Customs until 2012. Also, EULEX included a component dealing with Customs, mostly in an advisory capacity.

The Tax Administration of Kosovo (TAK) was created by UNMIK in 2000 and was handed over to Kosovan authorities in 2003, five years before the declaration of independence. It was one of the first institutions to be handed over to the responsibility of the Kosovan authorities, although UNMIK had veto powers over major decisions regarding it. The ICO held such veto powers for major decisions regarding TAK from 2008 until 2012.

#### 4.9 Conclusion

In this chapter I conveyed contextual information on Kosovo, containing socio-economic and developmental data, as well as data on the two institutions that I propose to study. Furthermore, I presented a short summary of the recent history of Kosovo, covering a charting of the transformations since the fall of communism in 1989, and running up to the armed conflict of 1998-1999. Finally, I explained concisely the progression of post-conflict institution building by the international community since 1999.

I also paid consideration briefly to the discourse normally used when talking about

Kosovo. Ethnic struggle has been the primary prism through which Kosovo and the Balkan region have been viewed in both academic and public discourse. I brought a summary of alternate rationalisations for the situation in the Balkans particularly with regard to state building and ethnic nationalism. I suggested that in order to comprehend the conflicts in the Balkans, it is more enlightening to reflect on them in terms of the failure of Yugoslavia to build a successful state.

I offered several demographic and socio-economic indicators of Kosovan society. Furthermore, I presented where Kosovo ranks globally in terms of human development, and perceptions of corruption. I incorporated a summary of the development of underdevelopment in Kosovo within the framework of Yugoslavia. Before the war, Kosovo went through a decade of apartheid under the Milosevic regime since 1989. Preceding that, it was a federal unit of Yugoslavia. Although it experienced relative economic development and modernization through the communist Yugoslav period (1945-1989), it remained the most underdeveloped unit in the federation. The apartheid system in the 1990s and the war at the end of that decade dealt a severe blow to the socio-economic conditions in Kosovo. And this obstructed the post-war state building efforts.

I also discussed political developments in Kosovo in the last three decades. I explained how the two main political parties (LDK and PDK) have their origins in the civil and armed resistance to the Milosevic regime. They also tend to have geographic strongholds, which reflect on institutions as well. The key strongholds of political parties also tend to overlap with underdeveloped regions and the areas where there was more intensive fighting during the war. This suggests a link between underdevelopment and propensity for participation in armed resistance among the population. Also, it points to the importance of networks established both during the civil resistance and armed resistance for the political parties. These networks can play a strong role in mobilising political participation.

Lastly I spoke about institution building, including in the Kosovo Customs (KC) and Tax Administration of Kosovo (TAK). The Kosovo Customs was established by UNMIK in 1999 and handed over to national authorities in 2008, several months after the declaration of independence. It was the first Kosovan institution created by UNMIK and the last one to be given over to Kosovan authorities. The ICO retained responsibility for major decisions regarding the Kosovo Customs until 2012. Moreover, EULEX contained a section dealing

with Customs, mainly in an advisory capacity. The Tax Administration of Kosovo (TAK) was formed by UNMIK in 2000 and was handed over to Kosovan authorities in 2003, five years prior to the declaration of independence. It was one of the first institutions to be handed over to the powers of Kosovan authorities, although UNMIK had veto powers over key decisions concerning it. Finally, the ICO also held such veto powers for major decisions regarding TAK from 2008 until 2012.

## 5 SECONDARY DATA ANALYSIS AND TRIANGULATION WITH INTERVIEWS

In this section I will provide an analysis of qualitative and quantitative data drawn from interviews and from the Tax Administration and Customs Service. Where the same data are available for both organisations I will provide a comparison between the two.

Otherwise, I will provide analyses of data pertaining to each organisation. Also, I will include insights and quotes from interviews in order to triangulate so we can better understand the numerical data provided by the organisations. For the same reason I will also include observations from the field. I will present the data in four sections clustered under each of the four hypotheses.

First let us look at the efficiency and effectiveness of TAK and KC in revenue collection. In the first years after the war in 1999, Kosovo relied heavily on donor assistance for its government revenue. However, donor assistance grew less important with time as national revenues were increasing. In 1999, soon after its deployment, the United Nations Interim Administration Mission in Kosovo established the Kosovo Customs. In 2000, the Tax Administration of Kosovo was founded (then called the Central Fiscal Authority). The goal of UNMIK and the donor community was to ensure that Kosovo can raise sufficient national revenues so it does not have to rely on donor assistance. As you can see in *Table 5*, gradually, national revenues grew, and revenue from donor assistance declined as a percentage of Kosovo's budget. By 2011, only 20.6% of Kosovo's budget originated from donor assistance (Ministria e Financave, n.d.).

The same table shows that national revenue consisted mainly of taxes on products (56.3% in 2011), whereas income taxation constituted only a small portion of it (11%). Also, we can see that whereas revenue from indirect taxation was gradually increasing, revenue from direct taxation was stagnating or slowly declining in the period from 2004 to 2011. The organisation responsible for collecting the Value Added Tax (indirect taxation), was the Kosovo Customs (KC). Income tax and other types of direct taxation fall within the competencies of the Tax Administration of Kosovo (TAK). The data from *Table 5* indicate that there are differences in the level of effectiveness and efficiency between these two institutions.

Table 5: Kosovo's government revenue structure

Years	Current taxes on income and wealth	Taxes on products	Other taxes on production	Donor assistance	Other revenue from interest and sales	Total
2004	7.7%	43.0%	0.4%	44.9%	3.8%	100%
2005	10.1%	47.4%	0.6%	37.5%	4.2%	100%
2006	12.2%	45.8%	1.3%	35.2%	5.2%	100%
2007	12.9%	46.8%	7.0%	27.3%	6.0%	100%
2008	15.5%	49.3%	1.4%	26.3%	7.6%	100%
2009	11.4%	46.7%	1.0%	22.3%	18.5%	100%
2010	11.4%	54.9%	2.1%	19.6%	12.1%	100%
2011	11.0%	56.3%	2.4%	20.6%	9.7%	100%

(Source: Kosovo Ministry of Finance (MF))

In the *Table 6* I have presented data related to the effectiveness and efficiency of both organisations (the data are for 2011, the latest year for which we have available data for both TAK and KC). The Tax Administration has a larger number of staff, yet it collects a smaller amount of revenue. The amount of revenue (excluding pension contributions) that TAK collects per staff member is 494,177.86 Euros, whereas KC collects 1,394,831.03 Euros per staff member. So, a customs officer collects nearly three times the amount of revenue as a tax officer. Also in terms of expenses, KC is more efficient. It spends 1.15 Euros to collect 100 Euros. TAK, on the other hand, spends 1.82 Euros to collect 100 Euros, a sum which includes both tax revenue and pension contributions. Clearly, the Kosovo Customs is more efficient than the Tax Administration of Kosovo.

Table 6: Comparison of efficiency of TAK and KC in 2011

	2011	
	TAK	KC
Employees	747	593
Budget	6,722,757.00	9,480,000.00
Revenue	261,123,163.00	827,134,800.29
Pensions	108,027,702.00	
Total revenue (Revenue + Pensions)	369,150,865.00	827,134,800.29
Cost of Total revenue for 100Euro	1.82	1.15
Total revenue per staff member	494,177.86	1,394,831.03

(Sums are in Euro) (Source: Annual reports of TAK and KC)

In order to explain the differences in effectiveness and efficiency between the two institutions, I will look at the data in regard to my first hypothesis, which is:

5.1 Hypothesis 1: Higher level of autonomy from political interference leads to more efficiency in an organisation.

Below I will provide a comparison of KC and TAK and their key developments, in relation to certain critical junctures in Kosovo. Critical junctures include:

1999 End of war; Establishment of UNMIK

2007 Elections (PDK-LDK Grand coalition)

2008 Independence (Supervised by International Civilian Office (ICO))

2010 Elections (PDK Coalition with junior partner)

2012 End of Supervised independence

The aim of this comparison is to see how each organisation has been affected by these changes in the political situation in Kosovo.

Table 7: Comparison of KC and TAK developments

Year	Critical junctures	KC	TAK
1999	End of war; Establishment of UNMIK	Creation; International director	
2000			Creation; International director
2001	First parliamentary elections (LDK-PDK-AAK Grand coalition)		Co-directors, one international and one national
2002		First national Director of Operations	
2003	Transfer of TAK competencies from UNMIK to MEF (Ali Sadriu, LDK, is minister)		national director; MEF created; Illegal open calls (concours) for already existing Senior management positions; two people selected for the same post
2004	Second parliamentary elections (LDK-AAK Coalition, Haki Shatri, AAK, is Minister)		
2005			New open call (concours) for Senior management positions
2007	Third parliamentary elections (PDK-LDK Grand coalition)	First national General Director	Director is fired

2009			New selected director rejected by ICO; New (other) director is accepted by ICO
2010	Fourth parliamentary Elections (PDK-AKR Coalition with AKR junior partner)	Attempt to change director (thwarted by ICO)	
2012	End of Supervised independence		
2013		Change of director (Change of criteria for reappointment)	

As we can see in the table above, KC had a different trajectory of development compared to TAK. KC was founded in 1999, and TAK was founded later in 2000. Both of them had inter directors initially, but where KC did not have a national director until 2007, eight years after its establishment, TAK had a national director in 2003, only three years after its founding. Also, TAK had a national co-director in 2001, only one year after its foundation. Most importantly, the political competencies over TAK were transferred from UNMIK to the national government in 2003, something that did not happen for KC until after the declaration of independence of Kosovo in 2008. This development led to a strong increase in political interference in TAK from the government. Below I will illustrate the political interference in TAK by looking at several senior managers and their fate.

Table 8: Political life of TAK staff

Year	Name	Geographic Origin	Personal relationships	Before TAK	TAK	After TAK
2000	Fahri Breznica				Operations; Hired in the first group of employees; Fired in 2005	
2000	Elmaze Pireva				Deputy Director for Education and Taxpayers Service until 2005; Fired from TAK in 2006	Board of Post and Telecomm of Kosovo (PTK)
2000	Shaqir Totaj				Manager of Large Taxpayers Department (LTD) until 2004; Regional Manager Prizren Until Fired in 2005; Hired in 2006 as Manager of Large Taxpayers Department (LTD)	
2000	Fahri Raqi				Regional Manager Gjilan; Fired in 2005	
2000	Kosum Aliu				Deputy Director for General Support; Fired in 2005	
	Neger				Manager of Large Taxpayers Department	

2000	Zenun Qorraaj				Regional Manager Peja; Fired in 2005	
2003	Mustafe Hasani	South East; Ferizaj (Same as MEF, Ali Sadriu (LDK))			Director until 2005	
2003	Nijazi Piraj		Relative of Nijazi Selmani, Chief Advisor to MEF, Ali Sadriu (LDK)		Deputy Director for Operations (newly created position); Fired in 2005	
2004					Period of “Two Managers”	
2005	Merita Shoshi		Relative of MEF Haki Shatri		Regional Manager; Prishtina	
2005	Ramiz Gaxherri	West; Peja	Husband of Besa Gaxherri (LDK, High ranking MP)		Regional Manager Peja/West	
2005	Fehmi Veselaj		Friend of Bujar Kuqi, brother of Minister of Interior Blerim Kuqi (LDK)		Regional Manager Prizren/South	

2005	Ruzhdi Sadriu	South East; Ferizaj	Brother of MEF, Ali Sadriu		Regional Manager Ferizaj/South	
2005	Tefik Ujkani	North; Mitrovica		LDK activist	Regional Manager Mitrovica/North	
2005	Alban Qerimi	East; Gjilan	Friend of Deputy Prime Minister Lutfi Haziri (LDK) and Minister of Interior Fatmir Rexhepi (LDK)			
2005	Jonuz Krasniqi	West; Decan (Same municipality as MEF Shatri)	Friend of MEF Shatri		Director until 2007 when he was fired by MEF Shatri	
2005	Armend Zemaj	West; Decan (Same municipality as Director Jonuz Krasniqi and MEF)		LDK	Manager of Planning and Analysis Department	LDK MP

		Shatri)				
2005	Ujkan Bajra	West; Decan (Same municipality as Director Jonuz Krasniqi and MEF Shatri)			Manager of Internal Audit Unit	
2005	Ardita Haxhnikaj	West; Decan (Same municipality as Director Jonuz Krasniqi and MEF Shatri)			Manager of Legal Department	
2007	Bashkim Shala				Acting Director	
2008	Naim Fetahu	Center; Podujeva		PDK Municipal Assembly member in Podujeva	Director	Deputy Minister of Public Administration, Deputy Minister of Health, Deputy Minister

						of Finance
2009	Adem Zogiani	Center; Fushe Kosova		PDK, Ministry of Trade and Industry (MTI)	Director (selected but did not start work)	
2009	Bexhet Haliti	North; Mitrovica		Advisor to MEF (PDK), Advisor to Prime Minister (PDK)	Director	

(Source: CoHu NGO)

As you can see in the table above, after the transfer of competencies from UNMIK to the Kosovan government, the senior managers hired from international supervisors were removed from their positions, to be replaced by people politically related to the Minister of Economy and Finance (Cohu, n.d.). Instead of merit, factors such as political affiliation, personal relationships and geographic origin become important in hiring and promotion, as ministers seek to place people whom they trust in senior management positions. The instability created by frequent changes in the organisation due to political interference is a factor in explaining the difference in levels of efficiency between TAK and KC.

In order to understand better the developments within the two organisations let us look at the employment history of the directors of the two organisations. The Director of Kosovo Customs (KC) was DG11 from 2007 to 2013. He joined Kosovo Customs in 1999 after an open call for employees. Criteria for selection were education, knowledge of foreign languages, and an interview. The interview panel consisted of international and national staff. He started work as a junior officer. After three months he was promoted to Shift leader, and after nine months he was promoted to Head of Border Crossing Point. After one year (in 2002) DG11 was promoted to Deputy Director of Finance Department. Two years later (in 2004) he was promoted to Director of Operations. 19 months after that (in 2006) he was promoted to Deputy General Director, and finally 15 months later on 1<sup>st</sup> of April 2007 promoted to General Director. He was the first national director of KC. He exercised that duty until 2013, when he was replaced by DG12, (2013-current), who was Head of Legal Department in KC, but at the same time served as an advisor to the Minister of Economy and Finance.

Now I will discuss the career of the Director of Tax Administration of Kosovo (TAK), DG25, (2009-current). Before he became director he was an advisor to the Minister of Economy and Finance (MEF). Before that, he was an advisor to the Prime Minister, who was of the same political party as the MEF, which is PDK (Democratic Party of Kosovo). His arrival to TAK, can be considered a political appointment although he went through an open selection procedure.

Both the fate of the senior managers in TAK, and the story of the directors of the two institutions illustrate that TAK was under consistent political interference. KC was

shielded from such interference by the international administration. However, with such international protection now gone, KC cannot resist political interference as well, as the case of the new director shows.

Let us now look at quantitative data on staff turnover from TAK to triangulate with the narratives from interviews and other evidence. What we can see from the TAK data is that increases in both hiring and firing of staff correlating with the critical points, namely transfer of authority and elections/changes in government and the party running the Ministry of Finance. The greatest increases in the number of staff happened in the years immediately after the founding of the organisation. In “year zero” which is 2000 there were 30 people working for TAK. In the next two years there was a 64 per cent increase in staff numbers every year. In the third year there was a 41 per cent increase in staff numbers. The number of staff was increasing although the rate of growth was decelerating. In 2008 the rate of growth was zero per cent. After 2008 there were small increases in the number of staff and the rate of growth has been fluctuating. In the years immediately after the transfer of full authority due to the declaration of independence in 2008 there was an increase in new employees. Whereas the rate of growth in staff numbers kept falling until the 2008 critical point, there was a change in the trend. From 2008 there has been a steady growth in the number of staff. On average from 2008 to 2014 the number of staff was increased by 3.33 per cent yearly.

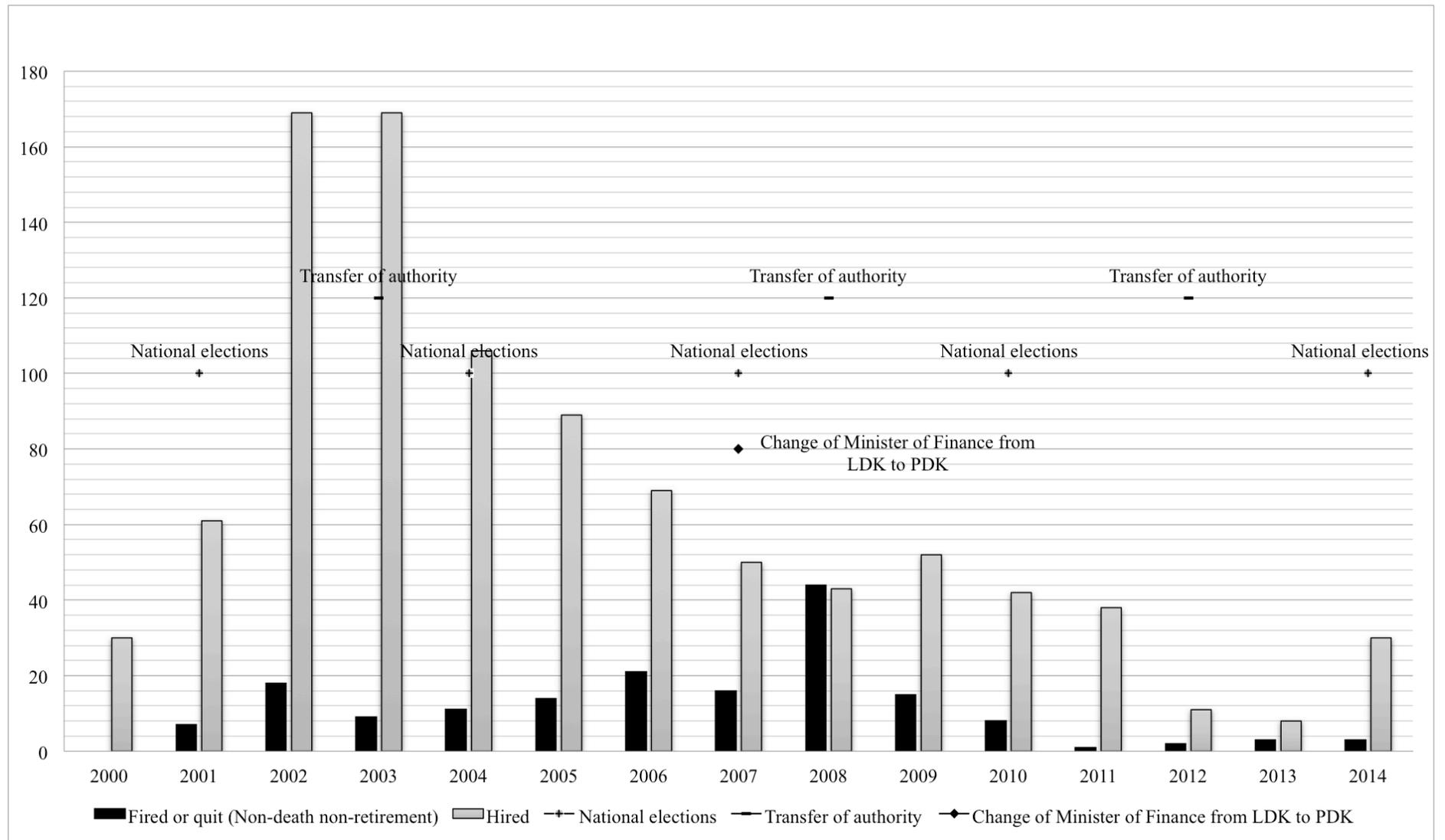
The data on staff turnover seem to correlate with political events. Below I will summarise those changes or critical points. Political life in Kosovo in the post-war period has been dominated largely by two parties, LDK (Democratic League of Kosovo) and PDK (Democratic Party of Kosovo). There has been a seesaw between LDK and PDK in the government and control in the Ministry of Finance. These back and forth changes have had their impact in the development of institutions. Such an impact is evidenced by the data from TAK as well as KC. From 2003 when the Ministry of Finance was established it was run by LDK until 2007. From 2007 until 2014 the Ministry of Finance was controlled by PDK. The government established in December 2014 gives the Ministry of Finance back to LDK, although the two parties are in a grand coalition. In fact although these two parties have been rivals they have always cooperated. The current government formed in December 2014 is the third grand coalition between LDK and PDK. In any case, the fate of employees was not only tied to political allegiance but also to personal and regional ties to

both the incumbent minister and director of the organisation. The interviews give insight into the phenomenon of employment based on political and personal allegiances. The data below help us understand more clearly how this phenomenon affected the staff at TAK.

Table 9: Hiring and firing at TAK

Year	Fired or quit (Non-death non-retirement)	Hired
2000	0	30
2001	7	61
2002	18	169
2003	9	169
2004	11	106
2005	14	89
2006	21	69
2007	16	50
2008	44	43
2009	15	52
2010	8	42
2011	1	38
2012	2	11
2013	3	8
2014	3	30

Figure 7: Staff turnover at TAK and critical points



It is quite clear from the graph above that there is a strong connection between staff changes in TAK and political developments. This is especially the case with data on fired staff members. The strongest link is between during what would be the most important and critical point, namely the change in the control of the Ministry of Finance (MF), which supervises TAK. In late 2007 a new government was formed, which gave control of the MEF to PDK from LDK. The following year (2008) saw the largest number of reductions in staff. That was followed by the largest number of hires in three years (2009) and the first reversal of the trend in hiring from negative to positive. The change in government also coincided with the declaration of independence of Kosovo in early 2008, which meant there were further transfers of authority from international supervisors to the Kosovo government, including TAK. Although, previously, and subsequently, there have been changes of ministers, those changes were between ministers of the same political party. In 2008 we saw the first change of minister from one party to another. In the other cases of changes of ministers we did not see this was followed by large changes in the staff. The 2007 case, however, was indeed a watershed moment. This supports the position that it is indeed political loyalties that matter the most in prismatic organisations, followed by personal and regional loyalties. Such a view was stated by one of our key informants as well and the data supporting it.

## 5.2 Hypothesis 2: Higher level of meritocracy leads to more efficiency in an organisation.

The Tax Administration of Kosovo (TAK) seems to suffer from a lack of meritocracy in hiring and promotion. One informant put it succinctly by saying that

“there is no meritocracy”

(Key Informant 3 – KI3). Career advancement is not likely to be based on performance, but the fate of a staff member’s career seems to depend on “servility” (KI3). Additionally, promotion and recruitment is influenced by regional affiliation (“regionalism”) (Key Informant 2 - KI2). In the words of one informant

“it is important to have the right connections and be in favour of the right people”

(KI2). Indicative of geographic preferences in promotion is the anecdote of the director of the northern region, where the General Director of TAK is from, who was complaining that

“he does not have any good staff left because his staff are promoted to the centre”

(KI2). Formally promotion is based on performance however in reality this is often not the case and the process of promotion is manipulated (KI2). The criteria for promotion are not clear (KI2), and generally there is no transparency within the organization in TAK (KI2).

Also, changes of General Directors are followed by changes of senior staff. And the organisation suffers from the phenomenon known as “turkey farm” (“Taegan Goddard’s Political Dictionary,” n.d.),<sup>2</sup> namely staffing with political appointees and clients (KI3). One way in which turkey farm staffing is done is by hiring staff in low-level positions that do not require scrutiny or are within the mandate of the General Director to select. How it works is this: there will be an open call for a job that requires only a high school diploma. The person who is hired has a bachelor's degree or even a master's degree. After the new employee starts work he/she is moved to a different more senior level job within the organization, often created newly to suit the person, the process is repeated (KI2). New personnel are hired based on political and personal preferences (KI2). One General Director hired a personal assistant several (up to five) times because he was using that position to hire people whom he would promote to other more senior level positions. The director uses this train-like process for two reasons. Firstly, this enables the director to avoid/lessen pressure from political seniors such as ministers, prime minister or party leaders, and secondly this does not attract public and media scrutiny due to the low seniority of the advertised role (KI2).

The case of the new Investigations Unit within TAK seems to represent this phenomenon starkly. The establishment of the unit came as a result of recommendations by international advisors, yet it was largely pro forma. The unit was staffed with unqualified and unprofessional staff (KI3). The staff were political appointees and clients of patronage networks (KI3). The purpose of the staffing process was not creating a professional and effective unit, but “systemisation” of political clients (KI3). Systemisation (or systematisation) here is meant placement of someone in public employment, or finding a job in a public organisation for someone, which is likely a political client or supporter.

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<sup>2</sup> Turkey farm is defined as “A government agency or department staffed primarily with political appointments and other patronage hires” by [politicaldictionary.com](http://politicaldictionary.com).

However, this lack of meritocracy did not always characterize TAK. Until 2003, when it was transferred to national authorities from international control, it was meritocratic (KI3). After the transfer of competencies in 2003, there was a decline in meritocratic recruitment and promotion. There was selective promotion of staff which was not based on performance. The result of this is that the most professional staff occupies low-level positions (KI3). In the current situation, only about one third of the staff deserves to be in the positions they are, according to one informant (KI3). In the words of our informant, “after 2003, there was a decrease in willingness to perform” among staff, indicating lowered motivation due to non-recognition of performance.

Performance and capacity needs are not taken into account in the selection of staff for training either. The selection of staff for training visits outside the country “is subjective” (KI2). The training visits are sought after mainly for three reasons:

“per diems, visas, and relaxation”

(KI2). Per diem allowances are usually substantial and can be a significant addition to one’s salary. Also by obtaining a visa to travel to other countries a staff member benefits for not having to pay/spend time for a visa if he/she has to travel for personal purposes and for being able to tour/visit family in those countries subsequently. This is important for Kosovan citizens, given that Kosovo passport holders can only travel to five countries in the world without visas, and a Schengen visa can be very costly (amounting to a month’s salary approximately). Also, training visits in other countries are considered more as tourist visits than opportunities for professional improvement (KI2). Within TAK, usually it is the same members of staff who go on training visits and selection depends on the preferences of the director (KI2).

The effectiveness of TAK is impacted by several factors stated one informant, which are: human resources, favouritism and privileges for certain firms, protection of organized crime activities, and evasion (KI3). There are differences in professionalism between staff who were recruited recently through political and regional connections and those that were not (KI2).

There is no indication that the situation is the same in the Kosovo Customs. However, it seems that, since the transfer of competencies to national authorities in 2012, KC is undergoing a similar process that TAK went through after such a transfer in 2013. The new

director of KC started restructuring the organisation after he was appointed in 2013. He created 7 geographical regions with regional managers whereas previously KC was organised in only two regions. The reason for this is that so he can disrupt existing networks in the organisation, and also so he can appoint his own trusted people in key positions (KI1).

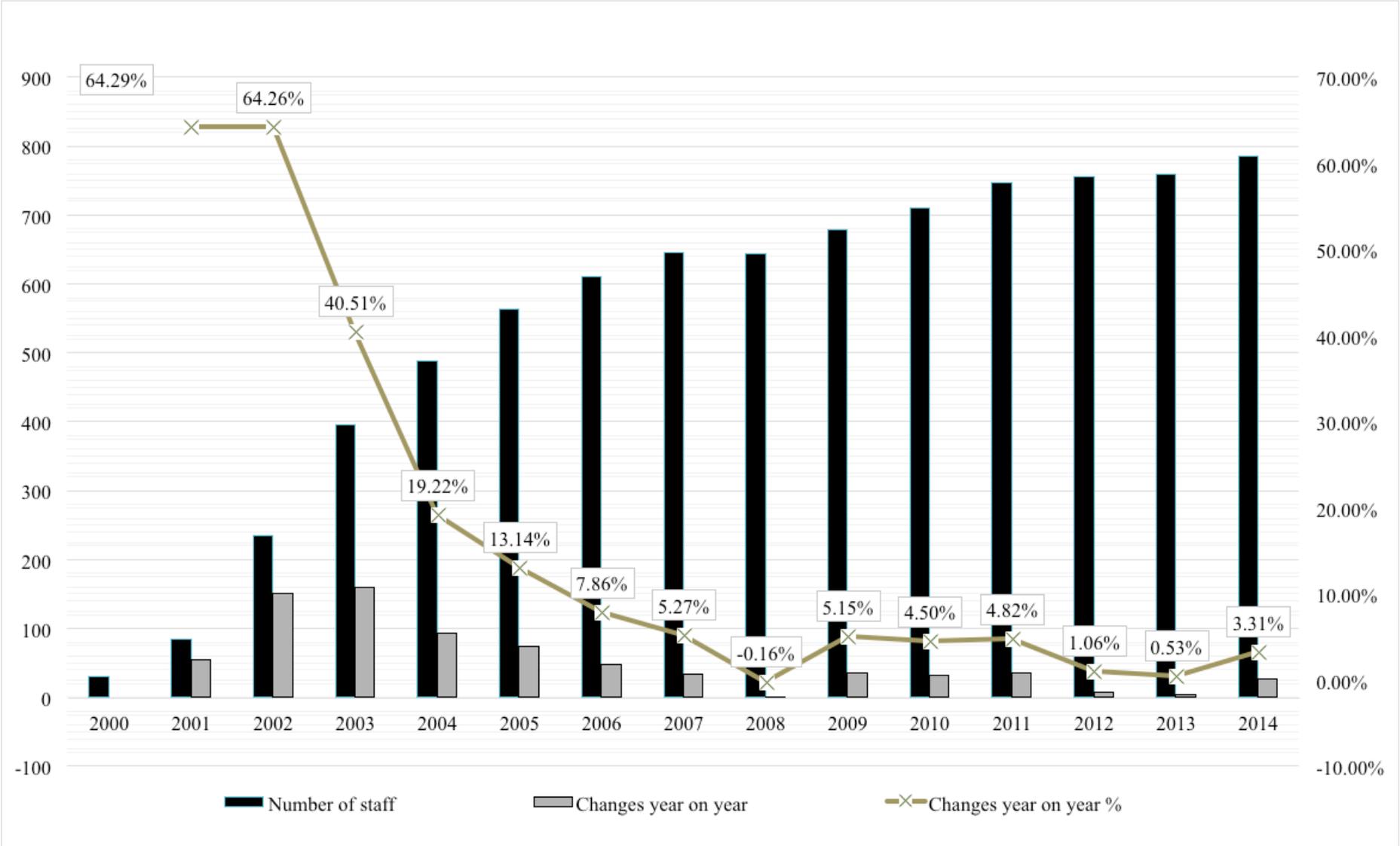
In order to understand better the level of meritocracy in the two organisations let us look at quantitative data regarding their staff. Besides showing data on staff growth, below I will provide data on various aspects of the staff such as gender and ethnicity. I will also provide a discussion on how these are related to meritocracy.

Below we will see the yearly changes in the number of staff at TAK. What is evident from the following table and graph is that after an initial expansion period, there were decreases in the rate of growth in the number of staff. This can be seen as a natural development for a new organisation. In any case the level of growth in the initial expansion period can be considered to have been too large. The increases in the number of staff in the first years of TAK's existence seem to be beyond its capacity to absorb new staff members and beyond its needs. TAK reached 600 staff in 2005, a number which KC had not reached until 2012. This recruitment bonanza can be understood in the wider context of the public administration in Kosovo. In the immediate post-war period, after the creation of institutions, there was a drive by political parties to recruit as many people as possible as this was a way to gain votes. This same phenomenon seems to have been happening in TAK.

Table 10: Growth in the number of staff at TAK

TAK Number of hired staff			
Year	Number of staff	Changes year on year	Changes year on year %
2000	30	0	0%
2001	84	54	64%
2002	235	151	64%
2003	395	160	41%
2004	489	94	19%
2005	563	74	13%
2006	611	48	8%
2007	645	34	5%
2008	644	-1	0%
2009	679	35	5%
2010	711	32	5%
2011	747	36	5%
2012	755	8	1%
2013	759	4	1%
2014	785	26	3%

Figure 8: Yearly changes in the number of staff at TAK



The data on staff changes above indicate strongly that TAK's growth in staff numbers has not been entirely natural, but has been driven at least partly by political considerations. In terms of how political events impacted on staff changes the graph above may not be very helpful. At first glance the aggregate data on changes in the number of staff do not necessarily imply a strong link between political events and developments within organisations. The data on staff members leaving TAK (available in the following table) might be more indicative. Whereas the general data on staff changes do not show strong fluctuations, the data on staff that left TAK show wider fluctuations. Firstly, what is noticeable is that there seems to be stronger variations from year to year in the number of staff leaving the organisation, although the numbers are not very large. Secondly, the list of reasons for staff leaving seems to be unnecessarily long. Besides retirement and death, there are 12 official reasons for why people left. They include such reasons as "failure to return to work" and "failure to show up for work". This indicates that senior management may have engaged in administrative and linguistic acrobatics to justify firing staff. This is supported by the correlation between firing data and critical points in Kosovo's political life. We will explore this further below.

Although the table below is large I have decided to include it here and not as an annex because it is important to the narrative. The number of reasons for staff leaving the TAK is especially relevant. Such a large list of justifications for staff leaving/being fired is indicative of prismatic behaviour within TAK.



10	Dismissal									1						
11	Failure to return to work						2									
12	Failure to show up to work							3								
13	Unreasonable absence termination of contract						1									
14	Transfer to Ministry of Economy and Finance (MEF)							4								
	Total reductions		7	18	9	12	15	21	16	44	17	10	2	3	4	4
	Fired or quit (Non-death non-retirement)		7	18	9	11	14	21	16	44	15	8	1	2	3	3
	Changes % (Fired or quit/Total)		8.33%	7.66%	2.28%	2.25%	2.49%	3.44%	2.48%	6.83%	2.21%	1.13%	0.13%	0.26%	0.40%	0.38%

I have talked about legal requirements on minority representation in the previous pages. Let us now look at the ethnic composition of the Tax Administration and Kosovo Customs first and then see if it is related to their performance. Below is the table with data on ethnicity of the staff of TAK and KC as well as the diversity of the Kosovo population based on census data from 2011. I have decided to include two decimal points to represent the data better. This is because the numbers are often small, and rounding up would make it difficult to understand the problems under discussion. For example, where I talk about ethnic diversity in organisations it is necessary to include decimal data because the ratios of ethnic minorities are in the low numbers, with some of them being under one per cent.

Table 12: Comparison of ethnic composition of staff in TAK and KC with Kosovo population

Ethnicity	a	s	b	t	g	as	e	r	o
TAK	96.56%	2.04%	0.76%	0.38%	0.13%	0.00%	0.00%	0.13%	0.00%
KC	88.36%	4.79%	2.40%	2.57%	0.51%	0.30%	0.47%	0.47%	0.00%
Kosovo population	91.10%	3.50%	1.50%	1%	0.60%	0.90%	0.60%	0.50%	0.10%

Legend:

Abbreviations: a=albanian; s=serb; b=bosniak; t=turkish; g=gorani; as=ashkali; e=egyptian; r=roma;

o=others

KC data are for 2012, TAK data are for

2013

With regard to ethnicity the staff at KC are more diverse. KC employs staff from all the main minority groups, including Serbs, Bosniaks, Turks, Gorani, Ashkali, Egyptians and Roma. TAK does not employ staff from the small Ashkali and Egyptian communities, which are related to the Roma community. This is in line with Peters' (2002, p. 122) point that in some cases even with affirmative action it is difficult to recruit members of some groups due to social and educational barriers. The socio-economic conditions of the Roma, Ashkali and Egyptian communities are a strong impediment to their inclusion in public institutions. Minorities tend to be overrepresented in KC, which is in line with the situation in political institutions, such as the Kosovo Parliament. Comparatively, there is a slight underrepresentation of minorities in the TAK staff compared to national ratios. In KC, Kosovo Albanians make up 88.36% of the staff, which is lower than the national percentage of 91.10%, as we can see in the table above.

If we compare the four profiles of diversity we notice that the KC profile is the most diverse. In KC 11.64% of the staff are ethnic minority members. This is above the legal requirement on public administration that is at 10% and does not apply to institutions specifically but to the civil service as a whole. Both the KC and the legal requirement tend to overrepresent minorities when compared to the general population where minorities account for 8.9% of the people. The TAK is the least diverse with 3.44% of its staff belonging to ethnic minorities.

Even though in TAK minority staff constitute less than 10% of the total staff, it is difficult to state whether that is in breach of the law on civil service, as the law does not specify whether each institution must guarantee 10% representation of ethnic minorities. Further, KC is not regulated by the law on civil service as it is not part of the civil service. Thus in legal terms it is difficult to say that one institution is in breach of the law and the other is compliant with it.

In general terms, there are no wide variations in the ethnic structure of the two organisations and in comparison with the national population. The over representation of minorities in the KC, can be explained by various factors. First, the fact that the KC was under international control and supervision for a longer period may mean that international overseers insisted on having a strong representation of minorities. Second, this might indicate a higher level of meritocracy as able candidates were chosen, despite their ethnic

minority background. And third, some of the customs points are located in areas inhabited by ethnic minorities, and staff is likely to have been recruited locally.

In fact the staff composition of TAK seems to fit in with general trends in other countries. Peters (2002, p. 120) found that there dominant ethnic groups are overrepresented in bureaucracies. He argues that, such ethnic representation, similar to class over-representation (of the middle class) is a result of the application of common education criteria and not that of discrimination (Peters, 2002, p. 120). Peters recognizes that ethnic representation in bureaucracies is often part of bargaining in countries with ethnic divisions. He mentions two variants of dealing with internal divisions: Belgium which has divided ministries by linguistic groups creating ethnically homogenous units, and Austria which divides posts within each ministry based on religious identification (Peters, 2002, p. 122). If we compare the Kosovo model of ethnic representation in public administration with these two models, we can conclude that it does not match either one of them, but it is a distinct model. Kosovo's legal framework only requires that there is 10% representation in minorities in public institutions, and does not mention each institution specifically at the central level. This allows for variation between institutions, with some of them having a stronger representation of minorities compared to the rest. For instance the Ministry of Communities and Returns, which has been run by a Serb has a higher proportion of minority staff. According to the website of the Ministry for Communities in the senior management level, out of five (four heads of departments and one general secretary), three are Serbs; at the middle management level, out of nine heads of divisions, three are Serbs (MCR, 2015). Among the political staff, the chief of cabinet and three out of four advisers are Serbs with the fourth advisor being a member of the (Slavic-speaking) Gorani community (MCR, 2015). Thus de jure Kosovo has a quota system for the entire civil service as a whole, and de facto some institutions that deal with or are run by minorities have minority staff exceeding the quota significantly.

Based on the discussion above we can see that it is the Customs Service in Kosovo which is the outlier as it seems that it has made deliberate efforts to have an overrepresentation of minorities within its ranks. Simultaneously, the Tax Administration fits within the mould of a slight overrepresentation of the dominant (Albanian) group in its personnel. In any case, the percentage of minorities among the general population is relatively small and the proportions within the staff of TAK and KC do not deviate greatly from the general

population.

In terms of gender 68.15% of the staff at TAK are male, and 31.85% are female. The gender composition of the TAK does not differ greatly from the data on civil service of several countries provided by Peters (2002, p. 125). Some comparable figures on female participation are from Greece (31%), Italy (35%), Australia (39%), Guyana (39%), while countries with lower percentages are Spain (14%), Netherlands (19%), Switzerland (26%) (Peters, 2002, p. 125). The average percentage of women in the civil service for the 19 countries that Peters presents is 42.15%, which includes the outlier Czechoslovakia (67%), a country that no longer exists (Peters, 2002, p. 125). It is very difficult to draw any conclusions on how meritocratic the organisation is based on the available data on gender.

### 5.3 Hypothesis 3: The more formalistic an organisation is the less efficient it is.

A common trope in discussions with informants is that the laws are of a high standard but their implementation is lacking, or in the words of one informant referring to TAK

“the law is good but implementation is bad”

(KI3). Within TAK there seems to be

“selective implementation of law and statutes”

(KI3). One director of TAK (DG22) was involved in “various scandals” which included favouritism of companies (KI3).

Indicative of the formalism within TAK is the case of the Investigation Unit which was established as a formalistic exercise or “pro forma” (KI3). This occasion was further used to employ political clients. Also, in terms of hiring and promotion

“there are breaches in contractual procedures”

(KI3). Our informant feels that such behaviour directly impacts the effectiveness and efficiency of TAK (KI3).

The application of formal laws and regulations in TAK is not aided but the problem of not having compact international advisory missions but instead advisors with “different mentalities” (KI3).

Within Kosovo Customs, formalistic behaviour is less prevalent. However, KC too is beginning to show symptoms of such behaviour. The new director

“is playing with statistics”

(KI1). KC declared that they have increased the revenue collection when in fact collection has decreased compared to the same time last year (KI1). What happened was that revenue exceeded the projected target, which was very low deliberately (KI1).

Formalism can manifest itself in various ways within an organisation. However, it is difficult to quantify it with data. One important aspect of formalism may be the education level of the staff. As we can see in the table below, 78.60% of the staff at TAK have a university education, 1.53% have some higher education (non-university), 19.62% of the staff have a high school diploma and only 0.25% of the staff are with a primary school diploma. The relatively high number of employees with a university education may

indicate a type of formalism that relies on having a formal university degree as a justification for hiring decisions, without necessarily being based on competency. Indeed, the hiring of overqualified staff in junior positions, in order to promote them later into senior positions, as described above, may show that the prevalence of higher education degrees is not an indicator of competence, but one of formalistic behaviour instead.

Table 13: Staff composition at TAK

Total	Qualifications				Gender		Disability	
	University	Higher college	High School	Primary School	m	f	m	f
785	617	12	154	2	535	250	0	1
Percent	78.60%	1.53%	19.62%	0.25%	68.15%	31.85%	0.00%	0.13%

Abbreviations: m=male; f=female

#### 5.4 Hypothesis 4: The more mimetic an organisation is the less efficient it is.

This hypothesis holds that inefficient and ineffective organisations tend to show mimetic behaviour by imitating efficient and effective organisations from other countries or within the country. Indicators of mimetic behaviour are a high number of international technical assistance missions which aim to help bring the organisation in line with international standards or foreign counterparts, or training/capacity building activities and study visits which aim to “teach” the staff how other organisations work.

It seems that TAK has had more technical assistance missions than KC. Such missions work on legislation and procedures, however

“progress is too slow”

(KI3). In TAK, new initiatives for capacity building or upgraded legislation come from international advisors (KI3). However, technical assistance missions are likely to have limited results, not least because they are comprised of individuals with diverse backgrounds and “different mentalities” (KI3). They are likely to compound the problems of patron-client relationship behaviour because often professional staff are forced to resort to international patronage to keep their positions/receive promotions. One informant talks openly about his

“connections with internationals”

(KI3) and DG11 recognizes the “protection” he enjoyed from international authorities<sup>3</sup>. Lack of success of such missions is also the result of lack of willingness to act on the side of internationals even when they have competencies to do so. Internationals are aware that “politics decides” (KI3), yet they often do not implement their competencies to prevent irregularities. They are aware of the problems but only act selectively (KI3).

Also, training and study visits are more likely to be formalistic mimetic exercises than substantial ones. Personnel who go on such visits are subjectively selected and the needs of the organisation are not considered (KI2). DG25 talks about how he uses study visits abroad as a “motivational tool” for his staff (DG25 Interview).

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<sup>3</sup> I have come across a similar patronage relationship between “internationals” and local managers, in the case of a local utility company in one municipality in Kosovo. The international organization in question is the Swiss Development Cooperation agency.

Below we will see the differences in training activities between TAK and KC. In the following table I provide the data on training activities from the Tax Administration and the Customs Service. And in the accompanying graph I provide a visual representation of the data.

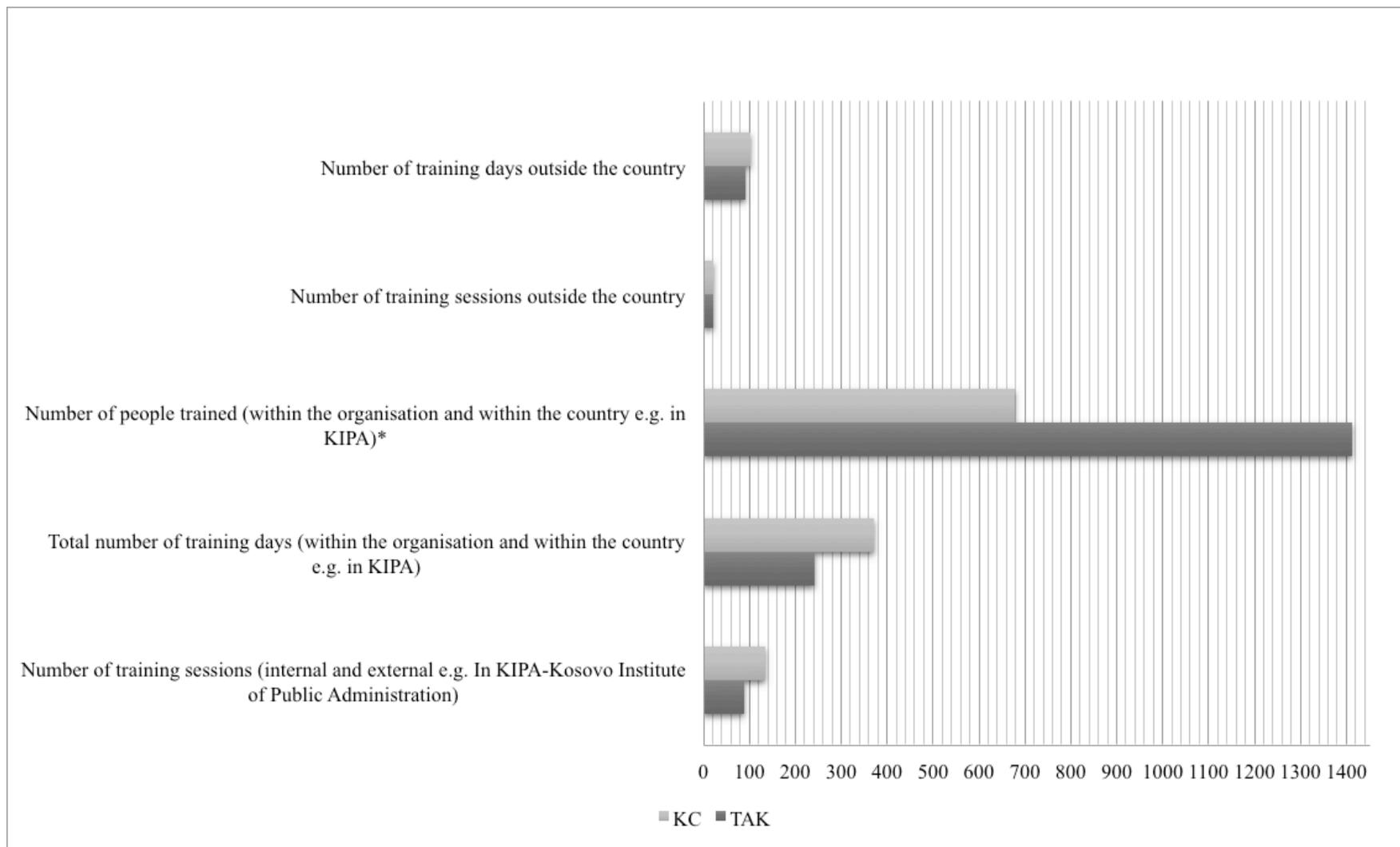
Table 14: Comparative data on training and study visits in 2013

Nr.	Training and study visits (2013)	TAK	KC
1	Number of training sessions (internal and external e.g. In KIPA-Kosovo Institute of Public Administration)	90	135
2	Total number of training days (within the organisation and within the country e.g. in KIPA)	241.5	371
3	Number of people trained (within the organisation and within the country e.g. in KIPA)*	1413	678
4	Number of training sessions outside the country	21	22
5	Number of training days outside the country	91	102
6	Number of study visits abroad*	27	8
7	Number of days in study visits abroad*	58.66	16
8	Number of trainers	46	46
9	Number of mentoring programs^	NA	35
10	Number of mentoring days	NA	NA

\*Includes Study visits, Workshops, Conferences  
for TAK

^Number of training programs by KC

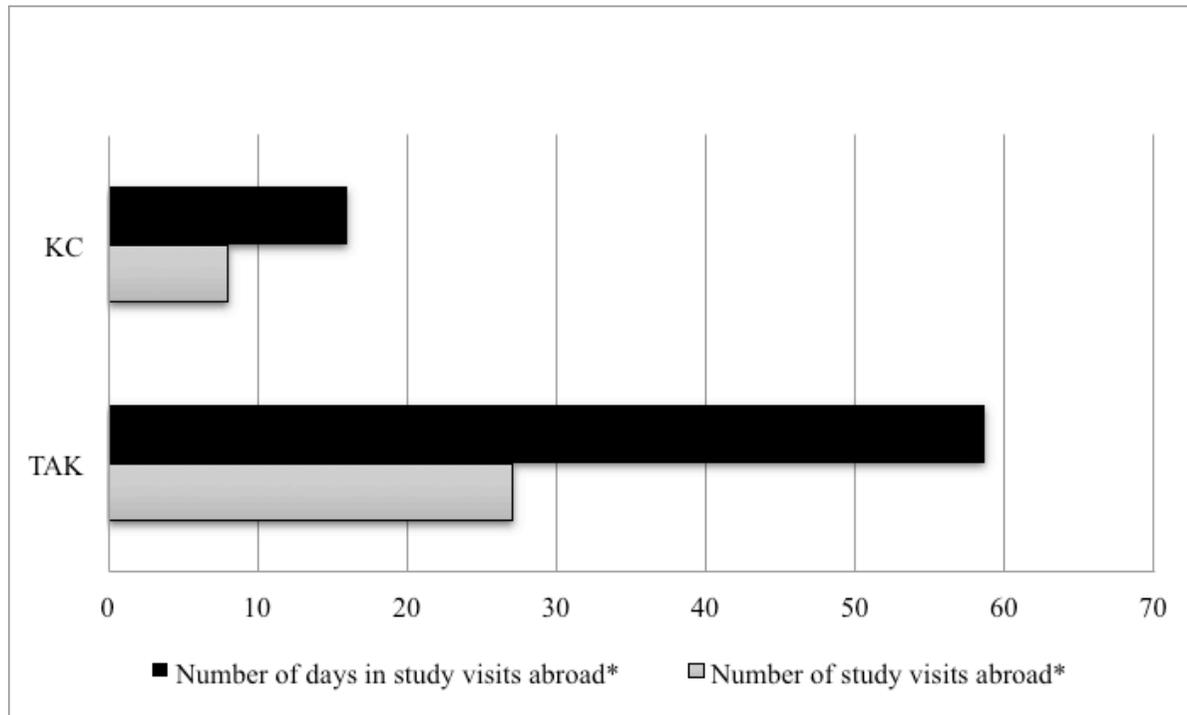
Figure 9: Comparison of training activities in TAK and KC (\*Includes Study visits, Workshops, Conferences for TAK)



The data on training and study visits abroad show marked differences between TAK and KC. The two main findings from this data are that KC focuses more on training both within and outside the country, whereas TAK prioritizes study visits abroad. Let us look at training activities first. In terms of training activities within the country, KC organizes 50% more training sessions than TAK does. The difference in the number of training days is slightly larger at 54%. This quite significant difference exists despite both organisations having the same number of certified trainers (46). With regard to training outside the country, the data do not show significant differences. However, even here KC compares better with a slightly more positive number of training sessions and training days outside the country. What is evident from the data on training activities is that KC is more effective in providing training to its staff, although it has the same number of trainers as TAK. Also, KC is slightly more effective in sending its staff to train abroad.

If the differences in training activities seem large, they are dwarfed by the data on study visits abroad. KC staff have been on merely 30% of the study visits abroad that TAK staff have. The differences in the days spent in study visits are even greater, with KC staff spending only 27% of the amount of days TAK staff spent abroad. Tax Administration staff seem to be spending an extensive amount of days in study visits abroad. However, these data may not seem so surprising in light of the evidence gleaned from interviews. It was the director of TAK, who admitted to using study visits abroad as an incentive for staff to improve their performance. Whereas, from our key informants we learn that such visits are highly desirable due to the benefits that come with them which include obtaining a Schengen visa (paid for by the organisation), opportunity to supplement the regular income through per diems, visits to family members abroad, and the touristic nature of the study visits themselves. Given the desirability of the study visits it is not surprising that so many of them take place, considering the statement of our key informant that participants in such visits are likely to be favourite employees of the director and not chosen based on the needs of the organisation. We can understand the differences in study visits abroad between TAK and KC if we consider the more clientelistic and less meritocratic nature of the TAK.

Figure 10: Study visits abroad in KC and TAK (\*Includes Study visits, Workshops, Conferences for TAK)



Based on the data on training activities and study visits abroad we can conclude that there is a high level of formalism in the Tax Administration. In the context of training, this constitutes copying behaviour, which manifests itself through participating in training sessions and study visits designed to learn how the Tax Administration should function and visiting counterpart institutions in other countries to learn how they function. The Tax Administrations officials are pretending to imitate the procedures and work of those institutions with more developed and more advanced administration, usually in Western European countries such as France or Germany. In this way the Tax Administration is copying counterpart institutions in more developed countries which is in line with the theory and helps us to give a positive answer to the hypothesis that more mimetic organisations are less efficient and effective. From the data we see that the Tax Administration is more mimetic than the Customs Service.

The data about training activities show that in TAK (Tax Administration) there is less focus in substantial training in order to improve the competency of the staff and more focus on superficial training. At TAK there are less training sessions, but with more people going through training. From these data we learned that there seems to be an interest in obtaining training certificates by the staff without necessarily aiming to become more competent in their job. This is in line with statements by some informants about the general situation in public administration in Kosovo. This complies with Riggs' (1964) theory which states that bureaucrats and individuals in prismatic societies are status-oriented, interested in achieving a certain status and then reaping the benefits that the status brings. Obtaining a training certificate for bureaucrats is important because that certificate can be used as a way to justify his/her promotion, regardless of whether it is deserved.

Also, it is important to note that in the Customs Service there are thirty-five training programs. At the same time we did not receive any information on any training programs in the Tax Administration. From the interviews, we know that there is a training curriculum within TAK, which among other topics includes sessions on ethics.

When we look at the data on study visits we can see that there is a lot of interests from TAK staff to go on study visits abroad. There are four main reasons for this. First of all participating in the study visit, similar to the training sessions helps bureaucrats obtain one more certificate and certificates of participation in such visits are used to obtain a higher

status within the organisation as well as future promotions. In fact such certificates are so important that it is common to see on the walls of offices of bureaucrats in public administration including the Tax Administration.

The other reason why study visits abroad are important for staff members is the monetary supplement that they bring to their income. Usually bureaucrats receive per diems for study visits abroad. If they spend several days or up to a week in another country they can receive as much as the monthly salary in compensation through per diems. This is important in a bureaucracy where salaries are generally low. Also, we know that salaries in the Tax Administration are lower than in Customs Service, which corresponds with the number of study visits abroad and the number of days spent abroad.

The third reason why study visits abroad are important is the Schengen visa. Such visits usually take place in a country in the Schengen area. This is important because getting a Schengen visa is very difficult in Kosovo and it is also expensive costing as much as the average salary. Kosovo is in fact one of the most isolated countries in the world and its citizens can only travel without visas to five countries. Obtaining a Schengen visa for a bureaucrat is important because it enables them to travel freely in the Schengen area (which includes most of EU countries, Switzerland and Norway).

Finally, study visits are attractive because they represent an opportunity to see touristic places. Also, they can use the trips to visit family members living in the host countries or anywhere nearby. Considering the costs of visiting those destinations and the income of the bureaucrats, it is understandable why study visits, the expenses of which are paid by the organisation, are so attractive.

As we saw, there are several reasons why study visits abroad are desirable. They are related to financial, professional and political benefits for the participating staff members. This is not to say that participants are not genuinely interested to learn from host organisations and to apply those lessons to their own organisation. They might very well be interested to reform their organisations along the lines of more advanced counterpart organisations. However, the data suggests that those efforts are likely to be formalistic.

The benefits of study visits abroad for staff members are several. Financially, they benefit from per diems, and the reduced opportunity cost of obtaining a Schengen visa and visiting tourist destinations and relatives abroad. Professionally, they can learn from those visits and apply the new knowledge in their work, and receive certification. Politically they can parlay the formal certification in a higher status within the organisation, which is likely to lead to formal promotion.

The selection of staff members for study visits is likely to be based on favouritism. Our key informant holds that it is staff close to the director that are selected to participate in study visits.

”The director decides who goes on study visits based on personal wishes and not the needs of the organisation”

(KI2). At the same time we have a quote from the director who states that he uses study visits as

“an incentive, to motivate staff”

(I11). It is likely that participation in study visits serves the function of justifying later promotions of staff, which may or may not be meritocratic. Thus study visits, besides, offering immediate benefits to participants, bring long-term benefits in terms of justifying future promotions. Their limited availability brings added value, which training within the country does not, as it is available to all the staff.

## 5.5 Observations from fieldwork

Below I have summarised some of my observations on the interviews. A key observation is that respondents are often speaking of other institutions as inefficient (KI1, I3, I5). This is also the only one that is evident both in TAK and KC. The rest of observations from interviews below apply to TAK respondents only.

Respondents at TAK are characterised by commenting on the question (I3) (e.g. “challenging”, “delicate”); Comparison with countries in the region (I11, I6); Contradiction (I3, I6) (e.g. stating that there is detailed job description and task allocation and later stating that there is ambiguity, stating that there is outside influence and later stating the opposite); Defensiveness (I11) (e.g. journalists write unprofessional articles,

civil society makes immature comments); Stressing international support (I3, I6, I11) (USAID, EC etc); Using absolute terms (I5) (“100% rules are applied” “I have not had one case of political interference”); Using formal language to answer the question (I3, I5) (e.g. “formally recruitment is based on merit” “there is always a basis on the law”); Using generalized/ambiguous language to answer to question (I3, I5, I6) (e.g. “institution leads in this field too in comparison or vis-à-vis the responsibilities that it has as an institution”).

Other observations include: Director of KC asking to record interview with organisations voice recorder besides my own; Two respondents from KC (both female) asked not to be recorded; Staff at TAK display political symbols such as pictures of political leaders and flags; Security staff at TAK are more personal and sociable; Security company at TAK is related to senior PDK official and appeared in media for corrupt tendering.

## 5.6 Analysis

Interviews and informal meetings generally confirm the picture seen in the tables above, namely that there has been excessive political interference in TAK, and that KC is seeing an increase in political interference after its transfer to local authorities in 2012. According to the key informant the situation in customs has been deteriorating since the change of directors in KC (KI1). There is now stronger political interference in the KC. One informant lists the main problems in TAK as being dependency on politics, lack of meritocracy, and low salaries (KI3).

There is a view that this political interference affects efficiency and effectiveness in several ways: reduced motivation, reduced professionalism, and wasteful spending (KI2) (KI3). Professional and meritocratic employees are less motivated to perform well when their performance is not recognized. Professionalism is reduced due to staff turnover and lack of serious performance review. And wasteful spending happens due to the organisations’ mimetic behaviour, lack of strategy and whimsical management. In the case of KC, DG22 has increased the number of physical checks of imported goods and this will likely lead to increased corruption (KI1).

Table 15: Hypotheses and data analysis

Hypothesis	Data sources	Analysis
Higher level of autonomy from political interference leads to more efficiency in an organisation.	laws (e.g. Law no. 03/L –149 on Civil Service, Law no. 03/L-192 on Independent Oversight Board for Civil Service of Kosovo, Code No. 03/L-109 on Customs and Excise), regulations (e.g. Government Regulation No. 6/2010 on Procedures of Appointment to Senior Management Position in Civil Service, Government Regulation No. 06/2012 on Senior Management Positions in the Civil Service of the Republic of Kosovo), institutional data (published and archives), interviews with “insiders” (bureaucrats), and “outsiders” (researchers, analysts, technical assistance experts).	Interviews confirm the hypothesis that higher level of autonomy is associated with more efficiency.
Higher level of meritocracy leads to more efficiency in an organisation.	laws (e.g. Law No.03/L –149 on Civil Service, Law no. 03/L-192 on Independent Oversight Board for Civil Service of Kosovo, Code No. 03/L-109 on Customs and Excise), regulations (e.g. Government Regulation No. 05/2012 on Classification of Jobs in Civil Service; Government Regulation No. 19/2012 on Civil Servant’s Performance Appraisal Results; MPA-Ministry of Public Administration Regulation 2/2010 on the Recruitment Procedures in the Civil Service), institutional data (published and archives), interviews with “insiders” (bureaucrats), and “outsiders” (researchers, analysts, technical assistance experts).	Interviews confirm the hypothesis that higher level of meritocracy is associated with more efficiency.
The more formalistic an	laws (e.g. Law No.03/L –149 on Civil Service, Law no. 03/L-	Interviews confirm the

<p>organisation is the less efficient it is.</p>	<p>192 on Independent Oversight Board for Civil Service of Kosovo, Code No. 03/L-109 on Customs and Excise), regulations (e.g. Government Regulation No. 05/2012 on Classification of Jobs in Civil Service; Government Regulation No. 19/2012 on Civil Servant's Performance Appraisal Results; MPA Regulation 2/2010 on the Recruitment Procedures in the Civil Service, MPA Regulation 3/2010 on Job Description), institutional data (statutes, rules of procedure), interviews with "insiders" (bureaucrats), and "outsiders" (researchers, analysts, technical assistance experts).</p>	<p>hypothesis that higher level of formalism is associated with less efficiency.</p>
<p>The more mimetic an organisation is the less efficient it is.</p>	<p>government documents (e.g. Training Strategy For Civil Servants In Kosovo 2011-201) institutional records and interviews, data from international organisations and indexes (e.g. Transparency International, World Bank, Bertelsmann Stiftung).</p>	<p>Interviews confirm the hypothesis that higher level of mimesis is associated with less efficiency.</p>

One important issue that arises from interviews is the relationship between politics and public administration in general. Informants point out that there is no real division between politics and administration.

“Public administration is overstaffed and as a result we cannot expect it to be very competent. The political parties use administration one of the main or the main carrot for their clientelistic network”

(12).

“Public administration is a place where people were employed to accommodate party and clan interests, or interests of whoever was close to UNMIK at the time”

(14). Such politically based employment is what hinders reform as well.

“There were attempts to reform public administration, but they failed because they considered that it is a painful process which leads to loss of votes”

(14).

Although, institutional insiders state that there is no political interference in their own organisation, they indirectly admit that such a phenomenon exists, especially in TAK. The following answers to two different questions from the same official are illustrative. When talking about political interference in TAK, the informant answers that

“there are no political interferences in TAK... and especially for tax matters, I can guarantee that there is no pressure absolutely,”

however, when talking about staff competency, the informant says that the staff is competent and

“around 80% of them deserve their positions because we are new staff and we were lucky to have had monitoring from USAID ... which helped us select the staff despite outside influences which we might have had, and there were political pressures”

(16).

Also, the link between the economy and politics is evident. This is especially true when considering that the government is the largest employer.

“Politics is not about ideas or concepts but rather about control of administration which includes public procurement because it is a source of

income. So for instance in a ministry even if they do not plan to fire the personnel that belongs to the opposition party they have to fire them because see that they sabotage the work or they spy. These things happen because the desire of the opposition party to come to power is great. Because there is no private sector if you are in politics you have everything if you are outside you don't have anything”

(I2).

The implications for public administration are clearly negative.

“The administration was used directly to buy social peace and not to create structures of public administration which offer services to citizens”

(I4).

“The society is deindustrialized and the government is the main employer. The political parties cannot create a support network with people who work in the private sector, thus they create their support network by offering jobs in the public sector”

(I2).

The problem of societal transformation comes up in the discussions about the relations between politics and administration. One informant states that

“as a society we are having problems transforming from para-political society into a modern one”

(I2). This signifies that, at least some analysts are aware of the challenges faced by the society due to the nature of transition to modernity.

With regard to political interference in the Customs and Tax Administration, there are opinions that political interference is less prevalent given the importance of the two organisations for revenue collection.

“I believe it is less than in other sectors because the government relies on them to bring revenue they are aware that if they put someone there that doesn't know anything they risk the revenue”

(I2). One thing that is certain is that usually representatives of one organisation will deny that there is political interference in their own organisation. This will be the case, even if they state that there is interference in other organisations or in public administration in

general (I3).

The role of international authorities and advisors is complicated in reducing prismatic behaviour. It seems that although they are aware of the problems within organisations they do not act to remedy them even if they have a mandate to do so. At best they may act selectively. Thus while they are a key factor in preventing and reducing prismatic behaviour they often do not fulfil their duty. They may even make matters worse by forcing staff to maintain patron-client relationships with international patrons.

As we saw in the previous sections the strong focus of international authorities on ethnic divisions has meant that other more important aspects of institution building were neglected. Despite Kosovo being a homogenous society with over 90% of population belonging to one ethnic group, the international authorities turned ethnic divisions into a primary feature of institution building. By focusing on the conflict dynamics between ethnic communities meritocracy and accountability were neglected. Also, the dominance of the Serb community among the minority communities and its oversized influence in political life has meant that other minorities are neglected. Thus, it can be said that efforts to ensure overrepresentation for one minority group have not prevented prismatic behaviour in public institutions, but they have enabled it instead.

From the notes it becomes clear that it is difficult to define precisely just what prismatic behaviour is. Does it consist of politics, personal relations, geography, trust, power, mercenary behaviour or all of the above? According to a key informant political affiliation is the most important factor, followed by personal connections (KI2). Another informant ranks the main influencers in order of importance as: political party, minister, and director (KI3). The case of the new director of KC is interesting. According to our informant, the new director does not necessarily have a political ideology but he offers his services to the party in power. KI1 used the word “poltronist”<sup>4</sup> to describe the new director whose behaviour is not necessarily a result of party connections or political convictions.

Prismatic and non-prismatic (meritocratic) behaviour are not separated by a wall.

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<sup>4</sup> Although the word “poltronist” is used in English, it does not appear in a dictionary. It implies spineless and servile behaviour to maintain favour from a patron or higher authority. The closest similar word is “poltroon.”

Meritocratic staff is forced to exhibit prismatic behaviour as they seek the patronage of international supervisors to hold their positions.

Also, it is important to note the high levels of “creativity” in prismatic behaviour. An example would be hiring people as assistants and then transferring them, because both of these are within the powers of the director and the director has room for manoeuvre from his political masters to hire people with whom he has personal connections (familial or otherwise). One TAK director issued open calls for personal assistants several times in a row, to avoid issuing calls for other (more senior) positions that would attract attention from the government and the media. After hiring an overqualified person as a personal assistant he would transfer them to another more senior position. It is important to note the creativity in presenting selective official statistics in order to show improved performance by DG22 as well.

“Often there are cases when a political advisor is accommodated within the bureaucracy when the patron predict a loss in elections”

(I2).

It is important to note that categorizations of prismatic behaviour are dynamic and can change with time. One organisation can become more or less prismatic at different points in time. As we have seen from interviews, there are signs that the KC is becoming more prismatic after the transfer of competencies from the ICO to the Kosovo government. This indicates that KC may be going through a similar process to that which TAK went through when it was taken over by the national government in 2003.

Also, there are different levels of robustness of non-prismatic patterns of behaviour. The meritocratic staff that was recruited initially in TAK are still there, but they are employed mainly in low-level positions. If given a chance they would be able to lead the organisation to higher levels of effectiveness. Further, due to a longer period of “gestation” of non-prismatic behaviour in the KC, any efforts to subvert it will take longer to have their effect than they did in the TAK.

This “prismaticness” is more evident in TAK compared to KC, and it is manifested in both tangible and intangible aspects within the organisation. There are clear differences in terms of culture between the organisations. In KC prominent logos of the organisation are visible

in the office of the spokesperson and in the press conference room. In TAK there is no spokesperson, and there are no logos visible in any prominent space. In KC no political insignia are visible. There is only one photograph of the current president of Kosovo in the office of spokesperson. In TAK political insignia are visible in offices, and there is no photograph of the current president of the country. Photographs of former president and head of LDK are visible in offices of staff presumably connected to LDK. Also flags, including Albanian, American and NATO flags in offices of staff linked to PDK. And in TAK geographic origin is often an indicator of political allegiance.

KC was more proactive in setting up meetings. Generally it was quite difficult to set up meetings beforehand. In KC, I had to meet with the new General Director to establish rapport - I had met the General Director before, but there was a change of Directors in the meantime. After a meeting with the Director, the Spokesperson was assigned to help me with interviews, and he, together with another staff member (officer for international relations) helped set up the meetings with my instructions of how to select informants. In TAK, I had to meet with Director of Taxpayer Education first (I had met with the General Director before). Then we had a discussion on who would be appropriate to interview. He sent me several names and I had to set up meetings individually, which meant sending emails, calling and going to the office repeatedly. In TAK I had to meet face to face with several informants prior to having the interview. In KC I was invited to go to the organisation and spend as many hours there as needed where I would meet with informants, based on their availability, with the help of the two designated officers.

Differences in culture can be seen in the security personnel too. Security is provided by hired firms in both cases. In TAK the head of security does not wear uniform (he may be a TAK employee and not from security firm), he remembers me from a visit I made along time ago (more than 10 years). TAK security<sup>5</sup> is more approachable and personal, whereas KC security is more distant and professional.

However, I noticed differences in culture within KC between the last time I had met the old director and the new director. There was a new atmosphere of mistrust, probably due to the changes happening within the organisation. The new director of KC asked to have their

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<sup>5</sup> I saw in the media, in the meantime, that the TAK security firm is involved in court cases for corrupt tenders and it is owned by/related to senior (controversial) figures in the main governing party at the time.

own sound recorder, in addition to mine, to record the interview with him. Also, two KC staff asked me not to record the interview with a sound recorder, both of them female and one of them in a senior managerial role.

There are differences in the location of organisations as well. TAK's HQ is located downtown in an older communist-era publicly owned building. KC's HQ, during the time of the interviews, was located in the outskirts of Prishtina in the "New Industrial Zone" where many trade firms are located, and it is in a newly built privately owned rented building.<sup>6</sup>

I suggest that we can rule out cultural explanations based on ethnicity or religion for differences in performance between TAK and KC. The variations in the ethnic make-up of the organisations are too small for them to have any meaningful impact. We have no data on the religious composition of the staff. But a religious explanation for variations in performance can be ruled out as well. This is mainly for two reasons. Ethnicity overlaps with religion, and we can infer conclusions about religious significance based on ethnicity data. Kosovo Albanians tend to be Muslim and Roman Catholic, and the Protestant and Atheist/Agnostic groups are also mainly within the Kosovo Albanian community. In contrast to Kosovo Albanians, the other communities tend to be less diverse religiously, with Serbs mainly identifying as Orthodox Christians, and Bosniaks, Turks, Gorani, Ashkali, Egyptians and Roma chiefly identifying as Muslim. There is a small number of Roma who are Orthodox, and a small Roman Catholic Croat community, but neither of these groups have any significant representation in the staff of TAK and KC (or the Kosovo population in general). Secondly, the population of Kosovo, like that of other former Yugoslav republic and other ex-communist countries is largely secular. Although people may chose a label in the census form to describe their religion, in terms of religious practice and beliefs, the data are comparable to western European societies. Both organisations have recruited from the same pool of people, which tends to be dominated by secular Kosovo Albanians, who mainly identify as Muslim and Roman Catholic. Based on the above we can conclude that religion or ethnicity of staff members is not a factor in explaining the differences in performance between TAK and KC.

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<sup>6</sup> I heard accusations of corruption in the process of the selection of the KC HQ building. Also, after I conducted my interviews KC moved to a government-owned old building closer to downtown Prishtina.

It is very difficult to draw conclusions about variables such as ethnicity and organisations. Ethnic and religious background of the staff, diversity, meritocracy and performance are related to each other in ways that is difficult to discern. In the case of KC and TAK it is likely that KC is more diverse because it is more meritocratic than vice versa. By extension it is likely that KC is both more effective and more diverse because of it is relatively more meritocratic than TAK. I propose this because the proportion of minorities is small in both organisations, and it reflects, approximately the general population of Kosovo. Such a proposition would be more difficult if the share of ethnic minorities was larger in any of the organisations. It would be equally difficult to suggest that if the country's population was more diverse with a larger share of minorities.

We can note that having legal requirements for minority representation does not guarantee effectiveness of institutions. This might lead two institutions being treated as fiefdoms and being staffed with political clients belonging to the same ethnicity as the heads of the institutions such as a minister. This is in line with Riggs' (1994) hypothesizing that one aspect of prismatic behavior is hiring of co-ethnics.

I recognize that this is a sensitive issue, especially with the experience of colonialism, where often colonialists selected one ethnic group to be promoted in administrative positions at the expense of others. This practice has had consequences in the post-colonial period in many countries, even leading to genocide such as in Rwanda. In Kosovo there are many issues with ethnic conflict and education levels of ethnic groups. Underdevelopment of Albanian regions is what led to the conflict in the 1990s. However, due to the relatively small share of minorities in the population and the staff in TAK and KC there are no visible effects of ethnic diversity in the performance of these institutions.

Before we move on to the next section, I will discuss another issue related to social divisions. Rather than the ethnic divide it is the urban-rural one that is a significant factor in the public administration. Kosovo's population is still mostly rural, with 61% living in rural areas according to the 2011 census. Peters (2002, p. 40) notes that conflict between impersonal and universalistic values on one hand and personal and particularistic values on the other plays out between rural and "modern" urban populations in less-developed countries making it difficult for rule-bound organisations to operate effectively (2002, p.

40). This is highly relevant for Kosovo where one of the two largest political parties (PDK) has been traditionally reliant on support from voters in the rural hinterland. Although distrust between the ethnic groups (Albanians and Serbs) has been the focus of much debate and policy making, it is the distrust between rural and urban actors that is the most important dynamic in the prismatic context of Kosovo. And that is more relevant for public institutions. This is in line with Festenstein's (2009) point that a shared national identity does not do away with the issues of distrust. The hiring of political clients socialized in particularistic rural contexts in the civil service is bound to have a negative impact on the implementation of universalistic rules and consequently its effectiveness.

## 6 FINDINGS FROM INTERVIEWS

### 6.1 Introduction

In this chapter I will present findings on prismatic behaviour in the Tax Administration of Kosovo (TAK) and the Kosovo Customs (KC). The data presented here, are based on interviews. This includes direct quotes and my commentary on interview responses. As I have explained in the methodology chapter, I conducted the interviews during April/May 2014, with several additional interviews and follow up meetings with key informants taking place in June, July and November 2014. I have interviewed 20 respondents. Six out of the 20 respondents were outsiders, observers or analysts not employed in the TAK or KC. They were professionals with experience working with the public sector, policy advocacy or research. Fourteen of the respondents were employees of TAK and KC.

I have explored my findings first by identifying where respondents talk about instances of prismatic behaviour. First, I created a list of examples of prismatic behaviour mentioned by respondents. As a second step, I grouped types of prismatic behaviour into several themes that emerge from interviews. I have been able to identify five main emerging themes from this list.

First, there is a theme that focuses on corruption, which includes corrupt behaviour such as favouritism. This theme includes issues such as discrimination based on various grounds. Further, here I have included behaviour related to organisational or political culture.

Second, I have identified a theme related to performance management. Here I have included examples of prismatic behaviour related to incentives, staff promotion and capacity building. The third emerging theme is related to procedures, which includes aspects of service provision and contact with service users as well as implementation of procedures. The fourth theme relates to recruitment. Here I have included various aspects of recruitment and appointment as well as issues related to the educational background of hires. Finally, the fifth emerging theme is related to strategic management. Here I include reform of public administration as well as issues related to policy.

Next, I have listed four domains in which prismatic behaviour occurs. Those are the Tax

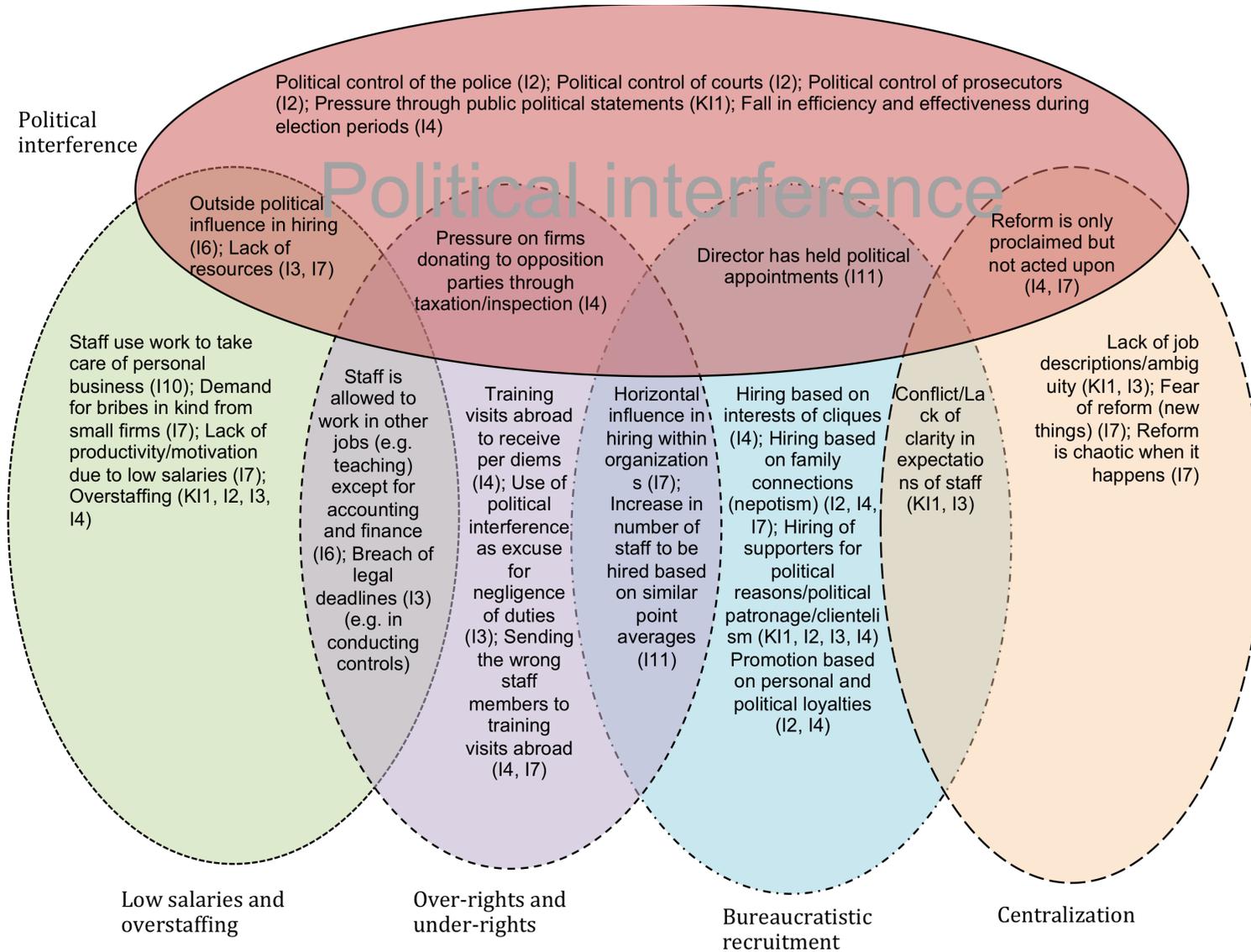
Administration of Kosovo (TAK), the Kosovo Customs (KC), the civil service of Kosovo or the public administration/bureaucracy, and the political domain in the country. Please see Annex 3, with the table comprising the list of examples of prismatic behaviour.

Further, I have made some observations on how respondents answered the questions. These observations concern respondents from TAK and KC only, and not those respondents that are from other organisations. I have presented these observations in a separate table. Please see the Annex 4, outlining the list of my observations.

After having created, based on interviews, the list of examples of prismatic behaviour in TAK, KC, Kosovan civil service and politics, I drew a Venn diagram to see how a sample of them relate to Riggs' claims. He outlines four aspects of prismatic bureaucracy that require special attention. Namely, low salaries and overstaffing, over-rights and under-rights (the informal relationships between superiors and subordinates), bureaucratic recruitment (appointments based on considerations of power and financial position), and centralization (Riggs, 1964, p. 293). I will provide definitions of each of these aspects in the sections below. I will further elaborate how each of these features of prismatic bureaucracy manifests itself in Kosovan institutions, and specifically within TAK and KC, drawing from interviews. Please see the Venn diagram below.

This chapter is organised around these four aspects of prismatic bureaucracy that Riggs identifies. I have included a section for each aspect. Further, I have written separate sections for the overlapping areas of the four aspects of prismatic bureaucracy. I have also written an initial section on political interference, as it is an overarching theme. This is followed by a section on how political interference overlaps with the Riggs' four aspects of prismatic bureaucracy.

Figure 11: A diagrammatic representation of prismatic behaviour in TAK and KC



Exemplar data derived from following sources: I2, I3, I4, I6, I7, I10, I11, KI1

## 6.2 Political interference

### 6.2.1 Introduction

In this section I will discuss the overarching phenomenon of political interference in public institutions. This is an all-encompassing phenomenon that touches each aspects of public administration. It is present throughout our case study, and it is often the cause of other phenomena within institutions. This includes political interference and related experiences in the revenue institutions in my case study. We will see that there are varying degrees of interference in public institutions. Moreover, there are different types of interference from direct forms to indirect forms of political interference.

We will note that political interference happens mainly due to the influence that the executive branch has over the other branches of government and public institutions. Such influence is exercised either through legal or extra-legal means. And it may range from controlling the budgeting process for public institutions to appointing political party members and supporters in senior management positions.

### 6.2.2 Executive influence on other branches of government

Political interference is largely a result of the oversized influence that the executive branch of government has over other branches. As we have seen in the background chapter, constitutionally Kosovo is a parliamentary republic, and the parliament is the highest decision making body. However, the parliamentary governance system, whereby the ruling party or coalition controls the majority in parliament, has allowed the executive to dominate the legislative. In any case, the influence of the executive over the legislative is much greater than a parliamentary system of governance would allow. The government routinely oversteps the parliament over the legislative agenda, and often ministers ignore calls to appear before parliamentary commissions.

Similarly it is seen that there is extensive political influence exercised over the other

branch of government. The judicial branch is seen as suffering from excessive political interference. This is evidenced in the courts and the prosecutorial service (I2).

### 6.2.3 Political interference in bureaucracy (civil service, police etc.)

This oversized political influence of the executive over other branches of government extends to other institutions including independent institutions such as various agencies. This heavy political influence is evident in the bureaucratic institutions that are also formally under the supervision of the government ministries. Here are included institutions such as the police (I2), which is supervised by the Ministry of Internal Affairs (MIA). However, where this influence is more strongly felt is in the civil service.

The extensive interference of politics in bureaucratic institutions is evidenced especially during election seasons. It is perceivable that there is a

“fall in efficiency and effectiveness during election periods”

(I4). This is largely due to the fact that employees of public institutions are expected to participate in electioneering. This is especially the case for employees hired directly through political connections and their loyalty to the parties. The parties in government are, unsurprisingly, more likely to benefit from this phenomenon. This phenomenon is manifested in different ways. Mainly, they benefit from gaining the votes of the employees and their family members. However, they also benefit from using the employees of public institutions as campaigners. Employees may engage in door-to-door campaigning after working hours. And during high election season they are not expected by the political supervisors to perform their formal duties. Instead they are expected to participate in most or all aspects of electoral campaigning. Logically the institutions they work for will suffer in productivity.

### 6.2.4 Political interference in TAK and KC

From the interviews I found out that there has been continuous political interference in TAK since 2003. Also, in KC, although extensive interference was not prevalent previously, it has been on the increase since 2013. Both of these years correlate with

critical points, namely transfers of authority from international to national government. We will see below how political interference affected the two institutions in the case study.

Based on interviews with key informants I find that all former directors of TAK were involved in politics and the appointments of several of them were problematic. One of the key informants states,

“former directors (MH, BSH, JK) were active in political parties”

(KI2). Another key informant says that the incumbent director

“(BH) was close to incumbent Minister of Interior and former Prime Minister (BR)”

(KI3) prior to his appointment. The informant also points out that BH was

“originating from the same area”

as BR (KI3).

Below I will discuss the importance of geographic origins in recruitment. However, let me first bring attention to the story of the first director of TAK (MH) who lost his job although the incumbent Deputy Prime Minister at the time was both from the same party (LDK) and same area (Ferizaj) as the director (MH). The key informant argues that

“Deputy PM did not intervene to protect MH's job because he was not happy with MH's insufficient political activism”

(KI2). This indicates the complicated nature of the interaction between politics and geographic origin. For some politicians, it seems, merely belonging to the same party and coming from the same region is not enough to guarantee an official's high status job. Political activism and/or other complementary connections are necessary, at least in some cases, in order for a bureaucrat to maintain their job and status, regardless of geographic origin.

Also, I find that many of the appointments of directors of TAK were contentious. One key informant says that there were

“problematic appointments of directors”

(KI3). For example in the case of the director NF, the

“open call for candidates was cancelled several times, until NF could meet the criteria”

(KI3).

The situation in KC was different, as KC only had one national director from its foundation until 2013. Whereas TAK went through several changes of directors, KC did not. The authority over KC was not transferred to the national government until late 2012. The change of directors in KC, subsequently in 2013 however, may suggest that there is an increase of political interference in KC. One key informant declares that the incumbent director of KC had been

“appointed extra-legally as advisor to Minister of Finance while he was director of department within KC, simultaneously, after 2008”

(KI1).

Also, I find from the interviews that, at TAK, some staff members within the organisation recognize political interference as a problem. One key informant claims that the

“main problems in TAK are dependency from politics, lack of meritocracy and low salaries”

(KI3). He further adds, “political interference has a great impact on efficiency and effectiveness” (KI3)

#### 6.2.5 “Golden age” of good performance

There is a view that there was a “golden age” of TAK when there was no political interference and TAK was one of the best performers among institutions. This is from its foundation in 2000 to the transfer of authority to MEF in 2003. The key informant holds that

“TAK was performing better compared to other institutions in the beginning”

(KI3). It had

“a new approach at the start, a new mentality”

(KI3).

This period of good performance is seen as having been followed by worsening productivity. The key informant states

“later at TAK there was a slowdown/block in working pace”

(KI3). He considers that TAK’s work was impeded by a

“lack of cooperation with TAK from Courts and municipal authorities”

(KI3). He informs me that in TAK

“cooperation is better with KC and banks”

(KI3). However this is not enough to guarantee increases in revenue, as the cooperation of judiciary is necessary for that, in his view.

This golden age of TAK is believed to have existed although since the beginning TAK offered relatively less incentives for employees compared to KC. The key informant says,

“in the beginning KC had higher salaries than TAK”

(KI3). This view seems to coincide with the opinion that KC was better provided both by international and national authorities because they gained from KC. The key informant claims

“KC had benefits including opportunities for corruption, as politics was involved”

(KI3).

#### 6.2.6 Life before and after the transfer of authority

In this subsection I will present the views of the respondents on the differences between the periods before and after the transfer of authority, as well as the process of transfer. Similarly to the KC, the initial recruitment in TAK was managed by internationals. TAK was

“formally under UNMIK Pillar 4 [focusing on economy], and recruitment of first staff was managed by USAID”

(KI3). This batch of employees is seen to have been hired without political interference and to have been performing better than later hires.

The problems in TAK are seen to have started at the time before the transfer of authority.

“The first director (MH) was recruited by internationals based on preferences from MEF”

(KI2), before the transfer of authority to MEF was made.

“The selection of the first director was done in cooperation between USAID and MEF”

(KI3). It is believed that

“USAID made a concession to incumbent MEF (AS)”

(KI3), in appointing MH as the first director. The first director of TAK (MH), as I have pointed out, was from the same political party and geographic region as incumbent MEF (AS). MH seems to have been aided in his selection by another aspect of his personal relations. When he was a student he

“used to be roommates with future MEF (BH) from PDK”

(KI2). So PDK who was in a grand coalition with LDK at the time, found LDK’s choice of director of TAK acceptable, due to his personal relationship with a senior PDK official.

In any case we can see that political interference in TAK began even before the transfer of authority, during the selection of the first national director. Whereas there is a view that this was not evident in KC. One key informant states

“KC had insulation [from politics] by the international factor”

(KI3).

The timing of the transfer of authority is also an issue that draws comments from respondents. The

“authority over TAK was transferred [to the national government] earlier than that over KC”

(KI3). We know this happened in 2003, while the transfer at KC happened gradually in 2008 and 2012. The key informant argues,

“the justification [for the early transfer at TAK, while withholding of authority over KC by international administration] was that KC was the main revenue contributor and UNMIK was being criticized for hoarding power”

(KI3). He believes that it is likely that

“the main reason was for their own needs”

(KI3) and

“KC director NH went along with "fulfilment" of demands for profiteering by national and international officials”

(KI3). We learn here that the international attention provided to KC is not seen as having

been entirely benign. And there are accusations of international and national officials being involved in corrupt activities.

#### 6.2.7 Deterioration in TAK after the transfer of authority

When TAK was founded it was called the Central Fiscal Authority (CFA). For a while

“TAK (CFA) had an international co-director, [together with the first national director], who was Australian”

(KI3). This was until the transfer of authority in 2003. Having an international co-director may have helped TAK in insulating it from political influence. This can be conjectured from the statements of informants who look positively upon the period until 2003.

The early transfer of authority over TAK did not go unchallenged. The key informants says that the

“transfer of authority was criticized in 2003”

(KI3). This criticism seems to have come from internationals working within TAK concerned that the move would lead to negative developments. However, the criticism was not welcome and it seems that it led to the early removal of an international advisor. I learn that

“there were threats to an international advisor (AN) involving the first director MH”

(KI3). It seems that views contrary to the interests of political networks benefiting from the transfer of authority were not welcome, especially when they came from minority voices among the international advisors. And the international authorities, it appears, were not very proactive in defending those views. Rather, international officials holding critical views are likely to have been punished.

I learn from interviews that there were

“political changes after the transfer of TAK from UNMIK to MEF in 2003”

(KI3). And the situation seems to have gotten worse with time. After elections in 2004,

“in 2005 the Minister [MEF] changed, and TAK becomes under the influence of clans”

(KI3) according to the informant. He argues that there was

“‘positioning’ of staff after changes in 2005, division along political lines”  
(KI3).

Other developments were that there were changes in policy as well. According to the key informant

“contacts with taxpayers are increased”

(KI3). This is a policy that is seen as

“raising the likelihood of corruption”

(KI3) and is not considered a good practice internationally.

Also, it seems that a series of scandals appeared in TAK. The key informant says that the

“director after 2005 (JK) was involved in scandals with Large Tax Payers  
related to favouritism and pressure on firms”

(KI3). This had political repercussions, as it seems that one of the firms in question was foreign and ultimately it led to the removal of the director.

#### 6.2.8 Failure of international officials to check political interference

The key informant tells us that he sent an email to USAID to complain about practices within TAK. However, USAID officials, drawing the attention of director to the problems mentioned in his email, exposed his letter to the director of TAK. He says that the reason for that exposure were USAID officials aiming to establish transparency with TAK and giving instructions to TAK director how to deal with problems. Also, he believes that they did not care and may be an USAID official just

“clicked forward in email without thinking too much”

(KI3). The consequence was demotion of KI3, which was followed by complaints and an investigation. KI3 used his connection with an international official (JW) to gain his position back. The informant says that the international official told him "politics decides" on the matter (KI3).

It is clear from these quotes that international officials were aware of the political interference within TAK. This is the view of our informant. He claims

“internationals were aware of scandals”

(KI3). He further argues,

“the international officials did not enforce their mandate to try to reduce political interference”

(KI3).

There is a view that developments after the transfer of authority in 2003 were negative in terms of meritocracy in TAK. When comparing the periods before and after 2003 the key informant states

“until 2003 there was meritocracy in TAK, after that there has been selective promotion”

(KI3). Whereas international officials helped ensure that TAK was meritocratic prior to the transfer of authority, it seems they did not do enough to use their supervisory mandate to safeguard meritocratic practices in TAK after 2003.

#### 6.2.9 Setting the stage for the difference between TAK and KC

We saw above that whereas KC’s life was largely uneventful in the institution-building period, TAK saw quite dramatic developments. There seems to be a view that TAK was neglected both by international and national bodies since the beginning. It is believed this started with the setting of fiscal policies. The key informant states

“VAT [Value Added Tax] is collected [by KC] at the border because it is impossible to control movements within the country”

(KI3). This policy seems to have been selected due to its relative ease to implement. Also, it is believed that this was in the interest of both international and national officials.

When referring to the insecurity that resulted from the transfer of authority in 2003 and the worsening performance of TAK in enforcing revenue collection, the key informant uses the traditional saying “the wolf wants fog” (KI3). It is believed that the atmosphere of insecurity and ambiguity in enforcement of laws enables predatory political cliques and individuals to benefit financially. This is coupled with the fact that by collecting VAT at the border it is easier to control the small number of firms who import goods, and this in turn helps rent-seeking politicians achieve their corrupt goals.

#### 6.2.10 Political interference through public discourse

Another channel of influence over the revenue institutions in our case study is through public discourse. This is done by politicians putting

“pressure [on institutions] through public political statements”

(KI1). Such statements refer to the public budget and expenditure in general, as well as public revenues collection specifically. More expressly they refer to expected increases in public revenue to be collected by TAK and KC (KI1).

#### 6.2.11 Political interference: Comparison of TAK and KC

In this context of strong political influence over an institution, as we saw, political interference therefore is present in the revenue institutions in the case study too. Although, there are clear differences in the level of influence over the Tax Administration of Kosovo (TAK) and the Kosovo Customs (KC). There is little or no direct political interference in the Kosovo Customs as reported by the staff during interviews. The staff in the Tax Administration of Kosovo, also deny direct political interference but they are more likely to declare that political interference exists. And they report and justify this phenomenon as normal given the context. In any case, from interviews with key informants, such as KI2 and KI3, it is evident that political interference in the Tax Administration is extensive.

Also, the symptoms of political interference in recruitment are visible in the offices where I held interviews. Whereas in KC there are no politically motivated insignia visible in the offices of staff, in TAK there are political symbols. I noticed the picture of the former president (IR), who is a strong symbol of LDK. Also I noticed the presence of flags, namely that of Albania, USA, NATO and EU. I was told by a key informant that the

“picture of deceased President IR (LDK) used to be everywhere in TAK.”

Regarding the differences between staff, he says that PDK related staff

“display flags, pictures of incumbent president (AJ), or pictures of incumbent Minister of Finance”

(KI2). In KC, I only noticed one picture of the incumbent president (AJ), which was in the public relations office waiting to be hung up on the wall. The key informant argues,

“in KC they display the incumbent president, as she is linked to PDK and

the director of KC is linked to PDK”

(KI2).

Further, we can get an understanding of how parties are seen by officials with regard to political interference. One key informant argues

“political parties do not differ from each other in their behaviour”

(KI3). This may show that while subtle differences may exist between each party in how they treat public administration institutions, officials see them as having the same behaviour.

#### 6.2.12 Summary

As we have seen above, there is oversized political influence over public institutions. Its levels fluctuate and vary from institution to institution. Given that the two institutions in my case study (Kosovo Customs and Tax Administration of Kosovo) exist within that environment, it is inevitable that they will at least be partially subjected to such political pressures. From my conversations with interview respondents, I have found that political interference is much more prevalent in the Tax Administration. However, there is, likely, to be an increase in political interference in Customs as well.

### 6.3 Overlap between political interference and other themes

#### 6.3.1 Introduction

As I mentioned in the previous section, the theme of political interference overlaps with other emerging themes in the research. This is because political interference does not limit itself to one or several fields and organisations. Politics touches every aspect of public organisations. Below I will discuss how political interference overlaps with other themes.

#### 6.3.2 Political interference and low salaries and overstaffing

There is a strong connection between political interference and overstaffing. From interviews it emerges that there is

“outside political influence in hiring”

(I6) in public institutions. As I will show in the section on Low salaries and Overstaffing below, it is seen that, initially, public institutions were staffed with excessive numbers of employees as a way of dealing with unemployment in the post-war period. Later, due to the unwillingness to fire existing employees, the number of staff in public institutions kept increasing. And it is likely that decisions on new hires are made based on political considerations.

At the same time, there is a convincing link between political interference and low salaries. There are complaints from interview respondents over resource allocation (I3, I7). A senior manager at the TAK comments that

“resource allocation vis-à-vis the duties leaves a lot to be desired”

(I3). He adds,

“there is an abnormal loading of the administration regarding who performs duties. There is a small number of those that perform the duties they are called for compared to those that are hired to perform duties called for”

(I3). An outside observer that works for an international organisation that implements technical assistance programs says

“I could not comprehend the large number of job titles compiled by the Ministry of Public Administration. It was not clear where all those titles that do not make sense came from, such as the position ‘Senior official for photocopying’”

(I7). Referring to reforms and reduction of staff, she adds that

“reform requires financing and most importantly it requires political support. Without political support you can work all you want, but it is very difficult to make progress”

(I7).

Looking at the statements from the informants, I noticed a slight difference. The statements are from an insider, an informant working for one of the organisations in the case study, in this case TAK, and an outsider, an informant who is not a staff member of any of the

organisations under study, but works with public administration in general, involved in technical assistance programs. The insider (I3) is focused on the performance of duties within the organisation. Whereas the outsider focuses on the large number of positions, as well as the connection between reform efforts and politics. This may indicate that insiders are more concerned with how overstaffing affects performance and employee relations, whereas outsiders are more concerned with the general aspects of overstaffing and whether organisations are fit for their purpose. Also, the insider is more indirect in his language and avoids mentioning politics in this case. This may be a sign of the sensitivity of the issue of political interference for public institution employees, and especially senior managers. I must note that this particular informant also has been recruited into TAK from a political background, having previously led a local branch of the party controlling the Ministry of Finance (which oversees TAK) at the time, LDK.

Problems in allocation of resources appear in other forms as well. The Kosovo Customs did not have its own building but instead is forced to rent premises (at the time of my interviews; later they moved to a government-owned building). Whereas the Tax Administration has seen fluctuations in the type and amount of work-related benefits (such as hazard pay) they receive.

### 6.3.3 Political interference & over-rights and under-rights

There is overlap between political interference and the theme of over-rights and under-rights. From the interviews I find that there is

“pressure on firms donating to opposition parties through  
taxation/inspection”

(I4). Thus through political interference, officials are forced to overstep their duties and put pressure on firms. This is enabled by those officials having the patronage of senior management and politicians and being part of informal networks within and outside the organisation.

That over-rights and under-rights are not limited to within the organisation but they extend to external political networks I find from interviews. One key informant states that in terms of who has more sway,

“most influential are political parties, followed by the minister, and followed by the director”

(KI3). He further adds

“people talk about "going to Drenica to find someone to 'intervene'"

(KI3) to find a solution to a problem. He is referring to a geographic region that is the bastion of PDK, the incumbent party in government.

#### 6.3.4 Political interference and bureaucratistic recruitment

Also, overlap between political interference and bureaucratistic recruitment is evident. Due to political influence, organisations are led to abandon professional standards in hiring. The case of the new director of Customs is indicative. Prior to becoming director, as a staff member of the KC, he

“has held political appointments”

(I11). Although this practice was against the existing laws and regulations, it took place due to political connections. One key informant bluntly states that

“there is no meritocracy”

(KI3) when talking about TAK.

#### 6.3.5 Political interference and centralization

Also, there is a link between political interference and centralisation. This may be because senior management in public institutions engage in centralising programs due to real or perceived demands by political superiors. This manifests itself in the “formalism” of the reform efforts. From interviews I hear that administrative reform is only proclaimed but it is not enacted (I4, I7). An observer working with a foundation says that

“there were studies with recommendations on what the government should do, however this remained on paper only. In fact there was hyper-employment after that period ... even though the study was focused on how to achieve recommended targets for reducing public administration. The agenda was led by political interests not by what was recommended”

(I4). Another observer states

“there were studies with recommendations, not all of them good however ... They included recommendations on merging some departments, which is not a bad idea but it is politically unacceptable because there are 30 staff there and 50 staff here and the 50 should be reduced to 40, so who are those 40 that remain?”

(17). She adds,

“In any case, not all recommendations were implemented. How can you do a reform of public administration when public administration was not consolidated appropriately? At that time, there was a great expansion of public administration and the number of institutions and employees in a very short time”

(17). This public discourse on promising reform may be because proclaiming reform programs is what is required due to the mood of the day. However those programs are counter to the interests of political parties in government.

### 6.3.6 Summary

There is definite overlap between political interference and the four other themes: low salary and overstaffing, over-rights and under-rights, bureaucratic recruitment and centralisation. Political interference seems to be an overarching problem that impacts other phenomena. There is a political aspect to all four themes related to prismatic bureaucracy that I have discussed.

## 6.4 Low salaries and overstaffing

### 6.4.1 Introduction

In this section I will focus on the first aspect of prismatic public administration that Riggs identifies in his book, namely low salaries and overstaffing. Riggs argues that insufficient public revenues are the reason the budget to pay public servants is inadequate (1964, p. 293). While prismatic forces cause the increase of the number of staff in public service, the

average salary decrease below the contextually defined standard of living (Riggs, 1964, p. 293). Riggs also claims that prismatic administration is overstaffed (1964, p. 293). He explains that in a prismatic society there is a proliferation of schools which turn out more graduates who find little or no private employment (Riggs, 1964, p. 295). In such a context public bureaucracy is most attractive form of employment (Riggs, 1964, p. 295). Therefore in the prismatic public administration there is proliferation of sections, divisions, and departments as a means to provide new governmental services (Riggs, 1964, p. 295).

In my fieldwork I have found evidence of both low salaries and overstaffing. As we will see below, low salaries in public administration in transforming countries result in employees seeking extra sources of income. And, this can often lead to corruption and bribery. Also, low salaries have a negative impact on the productivity and motivation of employees. We will also see how public institutions have become overstaffed, and the implications of this feature on their performance.

#### 6.4.2 Extra sources of income

Generally, salaries in public administration are considered to be low. This leads many public administration employees to seek sources of additional income. As a result, we see a situation where

“staff use the workplace to take care of personal business”

(I10). Namely, employees use official premises and working time to conduct business matters of firms that they might own or work for. This is inevitably likely to lead to the negligence of official duties.

The design of salary scales may be a problem also. I have a quote from a key informant saying about TAK that

“salaries of officials differ only slightly with those of other public administration officials, whereas those of managers differ more”

(KI2). This may indicate a wide gap between low-level officials and senior managers.

Also, low salaries may enforce the need to belong to corrupt networks. A key informant states that

“low salaries are not problems for some officials because they have other benefits including influence”

(KI3). He adds

“obedience and belonging to clans is important”

(KI3) as that compensates for low salaries.

#### 6.4.3 Bribery

The low salaries lead many staff members to engage in corrupt behaviour. This is likely to be the case with revenue institutions and, especially the TAK whose officials inspect businesses in their location. Often inspectors engage in

“demanding bribes in kind from small firms”

(I7). This can be as banal as demanding

“pack of juice cartons”

(I7) from a family-owned mini-market. These demands are accompanied with threats of penalties for supposed transgressions.

#### 6.4.4 Lack of productivity/motivation

The inadequate remuneration also leads to inadequate productivity. There is a

“lack of productivity and motivation due to low salaries”

(I7). This is especially the case with the Tax Administration when compared to the Customs. The staff at TAK largely has lower salaries and less benefits than those at KC. The differences include the TAK staff having no uniforms. This has many effects, as it adds a financial burden on staff to buy business attire, but it also impacts how services users perceive them and how they feel about their job as well.

I learn from interviews that there are differences in motivation between TAK and KC. A key informant states that

“staff at TAK less incentivised than at KC. TAK has no uniforms, which has cost implications, no benefits such as overtime compensation”

(KI2). In addition

“payment for daily meals was removed”

(KI2) and that might lead to bribery on top of being demotivating.

#### 6.4.5 Overstaffing causes and consequences

##### 6.4.5.1 Causes of overstaffing

Overstaffing in the public administration is an issue that comes up as a very important one from interviews (KI1, I2, I3, I4). A key informant, when talking about public administration organisations states,

“they are overloaded with staff”

(KI1). On the reasons for overstaffing he adds,

“the reason was mainly political and social because political parties in order to hold on to power, to reward those that supported them, had to employ them somewhere and the public sector was the only possibility where they could do that”

(KI1).

An outside analyst says,

“in principle, I think there is too many staff, more than is necessary”

in public administration organisations, and

“about two thirds of the staff is redundant”

(I2). Talking about overstaffing he adds,

“it has to do with political patronage. Parties use public administration as one of, or may be the main carrot to give to their clientelistic networks”

(I2). The same informant elaborates on the underlying causes of this phenomenon.

“Here the society has been deindustrialized, the government is the only employer in a way, and when they [political parties] create their network of supporters they can not do that with people that work in private firms. So they offer what they can realistically, which is a job somewhere”

(I2). The informant stresses the job-creation and job-security aspect of overstaffing, as he talks about the cases of political level aids being appointed in bureaucratic positions.

“Often there are cases when a political adviser is accommodated somewhere in a sector [within public administration] when they sense that the party is going to lose [in elections]”

(I2).

Also, a senior manager within TAK says,

“there are a great number of employees compared to the services they offer”

(I3). Pondering on the reasons for the situation he suggests that it is due to “recurrent recruitment, may be, and disrespect for rigorous recruitment criteria. The tendency to increase hiring has led to having larger personnel than is needed, and the work being performed by fewer people”

(I3).

An analyst echoes the previous statements. He adds,

“public administration has become the place where people were employed in order to accommodate clan or party interests, and at that time whoever was close to UNMIK [United Nations Interim Administration Mission in Kosovo]”

(I4). He brings the attention to UNMIK, which reminds us that political parties did not have complete monopoly of hiring, at least in the early stages of institutions building. Rather, the recruitment for the newly formed public institutions was influenced by UNMIK as well. In any case, UNMIK was in charge of institution building and it had a managerial and supervisory mandate in the recruitment process.

#### 6.4.5.2 Education and overstaffing

Riggs (1964) talks about the proliferation of education institutions leading to a large number of graduates who seek employment in the public sector. We see this process taking place in Kosovo as well. From interviews I learn that

“TAK has more staff with university degrees than KC, (but KC brings more revenue)”

(KI3). The existence of larger number of graduates, as we see, may not be a solution to the

problems of an organisation. I learn that

“GPA of university educated staff is around 7-8, at TAK”

(KI3). In addition the key informant argues that only

“one third of staff deserve their positions at TAK”

(KI3) and

“TAK has greater professional needs than KC”

(KI3).

The key informant says

“TAK has better analytical capabilities than KC”

(KI3) but

“KC has more integrity and ‘insistence’”

(KI3). These quotes show that whereas the education level of staff may be seen as desirable in some aspects, it is not seen as a panacea.

In general, it is considered that politicians used the public administration to employ people as a way to deal with socio-economic deprivation in the post-war period. This led to employment of large numbers of people often with inadequate education in the public institutions. This was exacerbated by the fact that all the parties and ministers in the post-war grand coalition competed with each other to employ as many of their own people as possible. Subsequently, new governments did not fire employees for fear of losing votes, and they only added to the number of existing staff.

From the interviews, it seems that there are differences in how the causes of overstaffing are viewed between outsiders and insiders. The outside observers are more inclined to believe that there was one massive wave of recruitment in the institution-building period that led to the current situation of overstaffing. On the other hand the quotes we saw from the senior manager at TAK show that, besides overstaffing is not a consequence of one time recruitment drive. Rather it is a result of recurrent recruitment drives undertaken by new governments.

A subject over which there seems to be agreement among respondents is unemployment. There seems to be agreement among them that the main reason for the existence of a large public sector is widespread unemployment. This is particularly true for a post-war context.

Employing people in the public sector may be one way of dealing with the widespread unemployment.

What we can observe from these quotes is that the issue of employment is very important for a transforming society. The quote relating to political advisors who become bureaucrats is very indicative. It shows that individuals are not drawn to political clientelistic networks purely to achieve positions of power. Rather, they may join such networks simply as a way to find secure employment. Indeed, for many people that may be the only possibility to find employment.

#### 6.4.6 Consequences of overstaffing

##### 6.4.6.1 Performance

Regarding the consequences of overstaffing we can see several opinions. They can be grouped into those that focus on performance and competence and those that focus on financial implications. The senior manager from TAK states,

“now, if there was recruitment without criteria, they [staff recruited that way] are not good at offering services and that has an impact. There is enough staff but duties are not performed”

(I3). An outside analyst agrees,

“as a result [of overstaffing] the staff can not be very competent”

(I2). Another analyst that I interviewed adds,

“what people often miss is that when there is too much overpopulation of employees they begin to become an impediment to the functionality of the system as of course barriers to the job being done will be created”

(I4).

As we can see from these quotes the overburdening of institutions with unnecessary staff does not only result in incompetence, it directly affects the performance of institutions. In addition, such overstaffing becomes an impediment to the proper functioning of institutions. Employees that would not be there otherwise, become a problem for the small

number of competent employees, as the extra staff members hamper the others in the completion of their duties.

#### 6.4.6.2 Financial implications

The key informant brings the attention to the affordability of a large bureaucracy. He states,

“Kosovo has a public administration greater than it can afford economically”

(KI1). Further he adds,

“as far as I know today the public sector has 82,500 or 83,000 salaried employees, which I think is a great number in relation to the total number of employed people, which does not reach 300,000, that pay taxes, which includes those 82,000. Or every 10<sup>th</sup> person able to work in Kosovo is employed in the public sector”

(KI1). An observer compares the situation in Kosovo with a country with a similar population,

“as a consequence [of overstaffing] the public administration of Kosovo is three times larger than that of Slovenia, which shows that it is an extraordinarily great burden for the state budget”

(I4).

Financial implications of a large administration also come up in the responses. The issue of financial burden to the public budget is mentioned by one outsider and one former insider (from the KC). This may indicate that the financial burden is not seen as a problem in more inefficient organisations. It is however seen more of a problem by outside observers. In the case of the former KC insider, we may be seeing the views of an employee of an efficient (outlier) organisation who has been trained to think in terms of efficiency.

The responses discussed above point to an overarching problem in transforming societies. This is the interconnection of problems of public administration and economy. There seems to be a vicious cycle of the tax base having to support a large administration and the oversized public administration in turn preventing a widening of tax base. This may play

out in the form of politicians having a vested interest in maintaining control over access to jobs by limiting job opportunities to the public sector. This can have implications for the TAK, because it is tasked with internal taxation. In an economic context with a small tax base, TAK cannot be expected to collect more revenue than KC. This is borne out by the data which show that whereas KC brings in about two thirds of the public revenue, TAK only manages to collect one third. This is also a problem that, I suggest, requires further research.

#### 6.4.7 Summary

As we saw above, I have found evidence of both overstaffing and low salaries in public institutions in Kosovo. When comparing the KC and TAK, we can conclude that these features are more characteristic of TAK. In general, TAK is more aligned with public institutions in Kosovo. On the other hand, KC looks more like an outlier, where characteristics such as these are less prevalent. Overstaffing and low salaries lead to employees looking for additional sources of income. This in turn often leads to corrupt behaviour. Also, institutions which suffer from low salaries are more likely to have unmotivated and unproductive employees.

We also learn from this discussion that a simplistic view of corruption is not adequate. The traditional transaction based view of corruption is juxtaposed with the views based on a wider context in which corrupt transactions are nested. This view takes into account other aspects of corruption. This includes characteristics of corrupt behaviour such as the needs of officials to participate in informal networks to secure their employment, the necessary expenses due to the need for access to these networks, and the necessary expenses to maintain their status once it is achieved.

Also, overstaffing is linked to inability of creating job opportunities in the private sector. Initial recruitment drives may be used as a way to deal with unemployment. However, this leads to a vicious cycle of a ballooning public sector both being a burden to the small tax base and preventing the widening of the tax base.

## 6.5 Over-rights and under-rights

### 6.5.1 Introduction

Here I will talk about the second feature of prismatic institutions identified by Riggs, which he calls “over-rights and under-rights”. He defines over-rights as duties paid to superiors by subordinate officials, and over-rights as duties of superiors officials to subordinates (Riggs, 1964, p. 297). This means that superior officials make sure that their employees have access to informal networks that ensure opportunities for advancement and additional sources of income. In turn subordinates pay for the informal patronage of their superiors. One way how under-rights are played out is through non-performance of official duties (Riggs, 1964, p. 298). This often results in influence-peddling by officials that is related to non-performance of official duties (Riggs, 1964, p. 298). Below we will see how this plays out in Kosovo. From the interviews I will discern how widespread these features are, with a special focus in KC and TAK, the two institutions in my case study. The quote from one key informant from TAK

“hierarchical relationships are characterised by ‘servilism’”

(KI3) may be indicative of these phenomena. Specifically, I learn that access to extra income is provided through training opportunities. And the informal relations between staff members lead to favouritism. This combined with political influence results in negligence of duties by staff involved in these networks.

### 6.5.2 Access to extra funding through training opportunities and study visits

One important source of additional income for staff is to use the opportunities for training and study visits abroad. This can often be lucrative as per diems for such visits abroad can be very high. An employee can receive in per diems from one trip abroad as much as or more money than he/she makes from the monthly salary. This financial remuneration aspect of official trips is seen as the main reason why employees are interested in them. They are seen to go to

“training visits abroad to receive per diems”

(I4) and not for the actual training. A key informant echoes the view by saying

“training abroad is sought after due to per diems, opportunities for relaxation, and [Schengen] visas“

(KI2).

This is important as it has strong implications for human resource development. There are countless “capacity development” or “capacity building” programs in transforming countries. They aim to improve the administrative capacity of public institutions. My findings from the field research in Kosovo show why and how such capacity development programs are likely to fail. They are highly formalistic, as employees who are supposed to benefit from such programs only use them for short-term financial gain.

### 6.5.3 Favouritism

This strong financial aspect of study trips means that there is strong demand to participate in them. It is senior managers, directors, of public institutions who decide which staff members get to participate. This gives senior managers extensive power that exceeds their formal job requirements. This informal power over employees means that they are able to extend favour to certain individuals and demand paybacks in return.

The implication of this favouritism is that senior managers end up

“sending the wrong staff members to training visits abroad”

(I4, I7). Participation in human resource development programs is not decided based on the needs of the organisation. Rather, it is based on the informal relationships between senior managers and employees within the organisation.

One respondent states,

“they send to training in other countries people that do not have to go at all, only because administration officials get paid per diems”

(I4). He continues,

“there needs to be profiling of who does what based on existing capacities. You can not transform with two or three training sessions people that were hired because of family connections”

(14).

I have other quotes on the issue from another observer.

“It is astonishing that people have gone to so much training but [the result] it is not noticeable anywhere”

(17). She further adds,

“if you do not send the right person, to the right training, at the right time, for the right reason, than it is in vain. This is the problem [with training]”

(17). I learn from a key informant in TAK that

“training abroad based on subjective selections”

(KI2) and that

“the same people keep going to training abroad”

(KI2).

As we can see from the quotes above, the first respondent focuses more on the financial remuneration aspect of participation in training sessions. Whereas the second respondent talks about the appropriateness of training sessions. They both, and the key informant, agree that mostly the wrong people participate in the training programs. Their difference with regard to the focus on the per diems may show that even people involved in technical assistance programs do not always understand the financial aspect of decisions on who participates in training.

#### 6.5.4 Negligence of duties

Another important phenomenon that is evident is the negligence of duties. Employees that are hired through political interference or those that enjoy the favour of senior managers are more likely to neglect their duties. They feel empowered enough to not have to respect the formal rules and their job descriptions. They

“use political interference as excuse for negligence of duties”

(13). Staff members that are part of informal networks within and outside organisations do not seem to feel bound by their contracts and job descriptions to do their formal duties.

This means that regardless of how their political patrons feel, they use political patronage

as justification for their wilful negligence. Their immediate supervisor cannot hold them accountable because they are afraid to “mess with” someone who enjoys political patronage.

#### 6.5.5 Summary

In the section above, I looked at the feature of over-rights and under-rights in prismatic institutions. I first provided definitions of these concepts as outlined by Riggs. Then I provided evidence from interviews to show how these features manifest themselves in Kosovan institutions, and specifically TAK and KC. We saw how capacity development projects are used as sources of additional income. Also we saw how favouritism is what influences decisions on who has access to such extra sources of income. In addition, we found out how informal relations between staff members lead to negligence of duties by some employees. These types of prismatic behaviour seem to be quite common in public institutions in Kosovo. Again from the conversations it is evident that TAK exhibits more prismatic behaviour compared to KC. The final point is that even technical assistance professionals do not always properly understand the financial implications of prismatic behaviour.

### 6.6 Overlap between Low salaries and overstaffing & Over-rights and under-rights

#### 6.6.1 Introduction

The two themes that I discussed in the previous sections (low salaries and overstaffing, and over-rights and under-rights) overlap on several accounts. There are three key areas where these phenomena overlap. Namely, officials holding additional jobs or “moonlighting/“sunlighting” as Riggs calls it (1964, p. 294), extraction of bribes through breaching legal provisions, and favouritism of firms through breaching legal provisions. I have a quote from a key informant signalling the presence of these practices. He says that

“effectiveness of TAK suffers from HR practices, favoritism, privileges for some firms, protection of organised crime, tax evasion”

(KI3). Further he argues that this is enabled by the fact that  
“the laws are good but implementation is bad”

(KI3).

#### 6.6.2 Holding other jobs

One way how these themes overlap is in legal and illegal ways to allow extra sources of income for employees. I learn that in the TAK

“staff is allowed to work in other jobs (e.g. teaching) except for accounting and finance”

(I6). This is indeed legal, and it does take place. In addition staff may have other jobs against the law.

#### 6.6.3 Breach of legal deadlines to extract bribes

Also, paying dues to superiors (over-rights) and ensuring additional income for oneself is likely to lead to bribe extraction. I find out from interviews that often employees act in

“breach of legal deadlines”

(I3). This may mean acting in breach of a regulation in conducting controls and inspections of firms, in order to extract bribes. A key informant argues that in TAK

“the Large Taxpayers Unit (LTU) consists of "luxurious" staff”

(KI3).

#### 6.6.4 Breach of legal provisions as favouritism

Regarding favouritism of service users/taxpayers I have several significant quotes from a TAK insider. First, talking about political interference he says,

“interference can be in many forms, starting from creating favours for a job or bypassing procedures or in employment. Every interference that is done is followed in the execution of duties as if there was interference at employment he will be a hostage of that interference, in way dependent on

someone that created that favour for him”

(I3). Further he adds,

“in TAK it can be present but it is not very visible. It can be, also, given the weaknesses that exist, be they in the dragging of deadlines, in fulfilment of duties”

(I3). He continues to talk about the relation between outside interference and formal duties of staff.

“Execution of duties is neglected, neglect is done either for ignorance or for favours. Namely, it is something invisible and difficult to measure due to what influence this is”

(I3).

Although not very succinctly, he is clearly talking about a connection between outside political interference and negligence in respecting legal provisions and executing duties. It seems that this negligence is a way of paying over-rights to political patrons in the patron-client relationships, which extend beyond the organisation. It appears that staff members belonging to such clientelistic networks are expected to neglect their duties when it comes to favouring firms belonging to politicians higher in the chain of those networks.

I learn from a key informant that

“large businesses, about 300-400 of them, with over 1.5 million Euro value, bring over 80% of TAK revenue”

(KI2). And that

“there are 50,000 firms active”

(KI2) in the country. This reliance on a small number of firms for revenue indicates that there are opportunities for corruption and that it can have a great impact on revenues. Indeed such opportunities may be taken advantage of, as one key informant claims that there is

“selective enforcement of laws and statutes”

(KI3) in TAK.

### 6.6.5 Summary

As we saw in this section the two themes that I discussed previously, namely, low salaries and overstaffing, and over-rights and under-rights do overlap. Mainly they do so in three key areas. That is, holding of additional jobs, bribe-extraction through breaches of legal provisions, and favouritism of tax-paying firms through breaching legal provisions.

Some of these manifestations of prismatic behaviour may be legal. The limitations of staff to hold only certain additional jobs, allows for the possibility of them holding other types of jobs. Also, we saw that breaching legal provisions is one way of ensuring extra income and paying their over-rights for staff members. This, in turn, extends to providing favour to firms involved in clientelistic networks.

## 6.7 Bureaucratic recruitment

### 6.7.1 Introduction

First let us see how Riggs defines bureaucratic recruitment. He suggest that in prismatic institutions even though appointments, promotions and transfers are made to formally meet explicit administrative requirements, their underlying function has to do with variations in the power and financial position of executives and their supporters (Riggs, 1964, p. 295). Thus at the formal level requirements of job descriptions must be met, and at the informal level criteria for appointment are personal loyalty and willingness to participate in income supplementation schemes.

I learn that this phenomenon is prevalent in TAK from interviews. A key informant argues that

“there is no meritocracy”

(KI3) and

“the best staff at TAK are in low level positions”

(KI3). He claims that this is due to deterioration after the transfer of authority as

“recruitment was better in the beginning, better staff, more trust, after 2003 fall in quality”

(KI3).

The key informant uses the example of the formation of a new unit in TAK as a showcase of detrimental practices. The

“Investigation Unit within TAK was newly formed, however it was a formalist founding, it had bad staff sent there for ‘systematisation’ of clients/supporters”

(KI3). He further argues that the

“recommendations of US Treasury on the new unit were not implemented”

(KI3).

#### 6.7.2 Hiring based on political patronage

As we saw above, overstaffing is a phenomenon driven by the need to create jobs for an unemployed population, and accommodate political interests. Political parties see it as their duty to hire their members and supporters in public bodies. It is not surprising that a strong theme in interviews is

“hiring of supporters for political reasons/political patronage/clientelism”

(KI1, I2, I3, I4).

Quotes on the issue of clientelism are in the context of discussions on overstaffing which we have seen above. An analyst stated that overstaffing

“has to do with political patronage. Parties use public administration as one of, or may be the main carrot to give to their clientelistic networks”

(I2). Adding

“often there are cases when a political adviser is accommodated somewhere in a sector [within public administration] when they sense that the party is going to lose [in elections]”

(I2). Another outside observer agreed that hiring in public administration was a way to accommodate “party interests” (I4). A key informant argued

“the reason was mainly political and social because political parties in order to hold on to power, to reward those that supported them, had to employ them somewhere and the public sector was the only possibility

where they could do that”

(KI1). And a senior manager at TAK talked about

“recurrent recruitment ... and disrespect for rigorous recruitment criteria”  
as well as a “tendency to increase hiring”

(I3).

Further I hear from a key informant in TAK that there is

“personal and political preferences in hiring”

(KI2). He claims

“7-8 officials in TAK used to be political candidates in local elections”

(KI2). It is evident that the line between politics and administration is blurred to say the least, according the key informant.

These quotes all point to the strong impact that political patronage has in hiring decisions in public administration. It is noticeable that the insider at TAK refrains from talking explicitly about political patronage. Instead he mentions “recurrent recruitment” and “disrespect for rigorous recruitment criteria”. This may show that personnel within prismatic institutions are very sensitive to the issue of political patronage in hiring. This makes sense as their jobs may depend on being able to adapt to ebbs and flows of power within prismatic organizations. And this includes being extra careful with public as well as private statements. We saw before that recurrent recruitment correlates with political events as shown by the data. And it is evident that he is referring to recruitment based on political considerations.

### 6.7.3 Hiring based on clique interests

Hiring decisions are not based on the needs of the organisation. Instead

“hiring is based on interests of cliques”

(I4). Political and personal cliques are seen to be very important in making decisions in hiring. This includes the number of people to be hired, and who is hired.

#### 6.7.4 Nepotism

Whereas political and clique interest are important, that still leaves room for family interests in hiring. Often these two overlap as families are linked with certain political parties or cliques. Therefore

“hiring based on family connections (nepotism)”

(I2, I4, I7) emerges as one of the most important themes from the interviews. One analyst observes that

“the needs were very basic [after the war] and many people, [such as] MPs had to think first about the immediate future of their families and extended families and villages”

(I2). Another respondent states

“hiring is party and family based”

(I4).

Both of the quotes point to an overlapping of political and family interests. And they both show a connection between politics and hiring in public administration. One of them further talks about the importance of extended kinship links and local geographic links. As I have shown in previous chapters, hiring at TAK was influenced by the geographic origin of the Ministers of Finance (MEF). This may show that nepotism is closely related to patron-client relationships, which express themselves through familial and geographic aspects and agents.

#### 6.7.5 Recruitment and promotion based on personal and political loyalties

Similar to hiring, decisions on promotion of employees are made on political and personal consideration. It is perceived that

“promotion is based on personal and political loyalties”

(I2, I4). The following quotes speak about the matter in more detail. An observer states

“mainly it is party officials who are at an advantage when it comes to promotion.”

He further adds,

“those few professionals that are promoted, they develop at least a

closeness with a minister, may be not the party, but they have created a dose of loyalty with the official”

(I2). Another observer argues

“within public structures it is like quicksand, if you are a good employee and you try to move you go down, so it is better not to move at all because you are close to the boss and if there will be a promotion it will be due to acquaintance/familiarity and not due to successful performance”

(I4). Both quotes show how there is a perception that promotion is not merit-based, but rather it is based on political and personal loyalties. The last quote further shows that it is not seen as a good idea to try to perform very well in a public administration as that may have negative consequences for one’s career.

Further, here is a response regarding performance evaluation from an outside observer:

“there is not a proper system of performance evaluation”

(I4). The former KC insider echoes that statement saying,

“there is a lack of performance evaluation, the quantity of work as performance, or its quality”

(KI1). The senior manager at TAK brings attention to the legal provisions regarding performance evaluation. He says,

“the law is not very flexible to give the possibility to reward someone for a good performance or to punish someone for a not good performance”

(I3). He adds,

“the law so far has not offered possibilities of rewards for incentivising staff”

(I3). Further he talks about

“discouraging possibilities for those that are in the same staff that perform the same duties, but some of them are distinguished for good and are not rewarded then they are discouraged because it does not incentivise others to improve performance”

(I3).

It is seen that performance reviews tend to be formalistic. They are not likely to be taken into consideration when senior managers make promotion decisions. Having the favour of the senior managers, and belonging to a political party/cliue is more important for an

employee than performing his/her duties to a high standard. As the TAK insider says, “this is may be one of the most dangerous phenomena for the institution as it can have a negative impact, discouragement instead of encouragement” (I3).

Further I have views expressed by key informants on the non-meritocratic practices in TAK. One key informant argues that there are

“unclear criteria for promotion”

(KI2). Another key informant says,

“criteria remain on paper only”

(KI3). Additionally he claims,

“the job position is created for the person,”

(KI3) indicating that it is not that the right candidate is sought for the job. I learn that one practice that took place in TAK was issuing an

“open call for a job with high school diploma only but hiring overqualified candidates, with intention to transfer the hire to a more senior position”

(KI2) and that

“this process was repeated several times”

(KI2).

When comparing the Tax Administration (TAK) with Kosovo Customs (KC), we can say that this is more evident in the TAK. However, the situation is changing within KC. There is an increase in the importance of these informal political and personal relations in the fate of employees in the KC as well. KC is likely to become more prismatic in this sense.

#### 6.7.6 Recruitment and promotion based on geographic origins

Also, I learn from interviews that geographic origin plays an important role in recruitment and promotion. One key informant from TAK argues

“recruitment and promotion is based on regional origin, with preferences for the Northern/Mitrovica region where incumbent director is from”

(KI2). He adds that there are

“three main regions with stronger regional favouritism shown by officials

originating from them: Llapi [northeast] (focused more on region less on politics), Drenica [centre] focused more on politics, and Dukagjini (west)” (KI2). These regions correlate with the least developed areas, and simultaneously with strongholds of key political parties in the post-war institution-building phase, LDK, PDK and AAK. This indicates a correlation between levels of development and particularistic values.

Naturally, this practice is likely to have an impact on performance. I learn that there are “differences in professionalism and political behaviour of people hired through regional connections” (KI2). Negative repercussions of this hiring practice are evident in the performance of TAK according to the informant.

#### 6.7.7 Impact of international Technical Assistance advisors

I learn from interviews that there were several Technical Assistance (TA) missions to both TAK and KC. There seems to be a heavy presence of such missions by USAID. Some important TA missions were CAFAO and ESTAK (KI3). TA staff were mostly from English speaking countries (KI3).

There are mixed feelings about TA missions. A key informant argues “different TA advisers bring different mentalities that is bad for organisation”

(KI3). International staff is from various countries and this diversity is seen to be unhelpful.

Further, we can see that

“technical assistance missions are focused on legislation and procedures” (KI3). This may indicate a formalistic nature of TA work as well. As there are views, as we saw above that laws and procedures are selectively enforced, regardless of how well written they are.

On the other hand, an episode of TA involvement may have useful lessons. I heard from a

key informant in TAK that

“USAID involved in recruitment of 35 inspectors in 2011”

(KI2) and

“they show better performance”

(KI2). It seems that international involvement in the recruitment of officials had a positive impact. This reinforces the view that insulation from local political networks leads to a more meritocratic and better performing organisation.

### 6.7.8 Summary

As we saw above, bureaucratistic recruitment manifests itself in various ways. These include, hiring of supporters through political patronage networks, hiring based on clique interests, nepotism, and promotion based on personal and political loyalties. All of these processes are related to one another. Often family connections go hand in hand with clique and political patronage networks.

I must note that I have found in my fieldwork a much stronger role for political interference in recruitment than Riggs prescribes in his theory. Whereas Riggs seems to suggest that bureaucratistic recruitment takes place largely for the interests of senior officials within the bureaucracy, we see that in my study these interests are subsumed within the larger interests of political clientelistic networks. This may be an important avenue for further research.

## 6.8 Overlap between Over-rights and under-rights & Bureaucratistic recruitment

### 6.8.1 Introduction

We have seen the discussions on over-rights and under-rights and bureaucratistic recruitment. Below we will see how these two themes overlap. Two main areas of commonality are horizontal influence in hiring, and ad hoc hiring decisions. Let us see how these play out in the Kosovo context.

### 6.8.2 Horizontal influence over hiring

Besides vertical relationships in informal relations, there appear to be horizontal relationships that enable prismatic behaviour. I heard from respondents that there is

“horizontal influence in hiring within organizations”

(I7). This is likely to happen between middle managers that help each other out in recruiting family members/clients/supporters. This shows that vertical clientelistic networks do not necessarily control everything within organisations. And such horizontal networks may even evolve as a way of countering the influence of vertical clientelistic political networks.

### 6.8.3 Ad hoc hiring decisions

Also, there seems to be ad hoc hiring decisions. One example from TAK is illustrative.

When TAK was hiring a batch of new staff, there was an

“increase in number of staff to be hired based on similar point averages”

(I11). This decision seems ad-hoc and shows that hiring decisions are not made based on long-term plans for the development of human resources within organisations. A statement of a key informant reinforces this view. He claims that there is a practice of

“creation of new positions”

(KI2) in TAK to suit the demands of the day.

### 6.8.4 Summary

In this section I talked about overlapping areas of over-rights and under-rights and bureaucratic recruitment. As I observed, there are two main areas of overlap, namely, horizontal influence in hiring and ad hoc hiring decisions. The conclusion on the horizontal networks may be that they exist parallel to the vertical networks of power. They may even be created to resist the overwhelming power of political vertical networks. Again this seems to be outside of what Riggs prescribes. Whereas he talks about vertical informal

relationships within bureaucracies, it appears space is found or created for horizontal networks that enable prismatic behaviour. These horizontal networks may be cooperative or competitive with the existing vertical networks. I suggest that this is an important point that can be explored in further research.

## 6.9 Centralisation

### 6.9.1 Introduction

Centralisation is a feature of prismatic organisations. Riggs argues that senior executives in a prismatic bureaucracy are reluctant to delegate authority for fear they will lose all control (1964, p. 300). Additionally, senior managers are obliged to defend their over-rights (Riggs, 1964, p. 300). Centralisation may happen even as they are undergoing “decentralisation” reforms. Often decentralisation reforms are likely to lead to more centralisation within prismatic institutions. Let us see how this manifests in Kosovan public institutions and within TAK and KC more specifically.

### 6.9.2 Ambiguity of job descriptions

Centralization is enabled by a prevalence of ambiguity. Often it emerges that there is a “lack of job descriptions”

(KI1) and

“ambiguity in job descriptions”

(I3). This enables senior managers to exercise a larger control than their mandate allows on the affairs of the organisation.

Before we move on, I would bring attention to some conflicting statements made by a senior manager at TAK. First, in the beginning of the interview he states

“there is a description to the detail for the job of each official, namely the rules of work, but also the hierarchical level of accountability and delegation of duties”

(I3). And later, while talking about the results of reform efforts he says  
“often, may be trying to do something good, an internal conflict has been created between functions to regulate structures and sometimes there are defects in the structure, too, so the same task either is not performed by no one or it is performed by two or more people, so this conflict then creates opportunities for negligence, creates opportunities for conflicts be they managerial or of the officials”

(I3). Then, when talking about supervision of how rules and regulations are respected he answers,

“there is a good description of the designation of responsibilities and duties”

(I3). However, when talking about possible political interference in TAK he says  
“description of jobs and assignment of tasks has been done, again, with a tolerance; there is no strict norm/target designated so that your minutes should be counted to perform a task”

(I3).

It is remarkable how on several occasions the respondent makes conflicting statements. He is being ambiguous all the while he is speaking about ambiguity within his organisations. This conflicting pattern of answers may indicate the ambiguity in prismatic organisations is not limited to job descriptions, under discussion here, but it is rather a general feature of organisational life.

Also, I have to note that the manner of speech of the TAK official is quite winding. This is in contrast to the more direct speech of other respondents, especially outsiders. This may indicate uneasiness with the topic under discussion.

Further, some of the answers tend to be formalistic. When talking about supervision of respect for rules, his answer includes the statement:

“there is a good description of the designation of responsibilities and duties”

(I3). This can be considered quite a general and formalistic statement in relation to a more specific question.

Additionally, it is noticeable that there is a general progression during the interview. This goes from a more formalistic tone to a more direct one. Therefore, the first conflicting statements can be considered to emerge from a posturing attitude at the beginning of the interview, which is exposed later.

Let us return to the issue of ambiguity in job descriptions and centralisation. From the senior manager's statement on conflict of duties, which is in the context of reforms. It is obvious that reform efforts are opportunities to create conflict and ambiguity and they are likely to lead to that. With regard to job descriptions, although they may be clearly defined initially, reform efforts may change that and make the situation worse by creating ambiguity. As we see from the statement this

“creates opportunities for negligence”

(I3). Negligence can be understood in relation to corrupt behaviour. Therefore it may be that reform is sought after in a prismatic organisation with the purpose of creating such opportunities for corruption.

### 6.9.3 Lack of transparency

From the conversations with respondents I learned that there is a problem with transparency within TAK. A key informant states that there is

“lack of transparency within the organisation”

(KI2). This may indicate an atmosphere that is at least conducive to centralisation.

A quote from another informant is illustrative of such centralisation efforts in TAK as well. He claims,

“every new director changes senior staff”

(KI3). This indicates that centralisation is served by loyalty based structuring as well as obscurity.

### 6.9.4 Fear of reform

From the interviews I also find that there is

“fear of reform (new things)”

(I7). The existence of this type of fear is a symptom and a cause of centralisation within public organisations in prismatic societies. This fear leads senior managers to centralise their authority. Also, due to increased centralisation, anything that is perceived as taking away centralised power is feared.

#### 6.9.5 Chaotic reform

Although there is fear of reform that does not necessarily mean that there are no reform efforts. However, such efforts are not likely to be clear-cut. As we see from interviews

“reform is chaotic when it happens”

(I7). This is likely due to the fact that the proclaimed goals of the reform are not in line with the interests of senior management. This leads to confusion and chaos.

Organisations may engage in reform for many reasons. International donors and/or political superiors may require reform. This may make reform fashionable during a period of time. Also, changes in senior leadership can lead to reform. This may be the reason why the Kosovo Customs engaged in reforms after its first change of directors. Such reform efforts have been common in the Tax Administration, which has seen many changes in leadership.

However, I learn that the practice is taking place in KC as well. A key informant argues

“the new director started unnecessary reform in order to appoint his own people in senior management and cement his position”

(KI1). He further states

“reform can lead to great opportunities for corruption because more controls are imposed on firms”

(KI1).

#### 6.9.6 Reform and performance

Reform is not always bad in a prismatic context. I heard from a key informant that

“when the incumbent director (BH) became director there were changes such as greater mobilisation, improvements in IT, and technical improvements”

(KI3). Yet, these positive developments seem to have been limited to a technical aspect.

The views expressed above do not necessarily indicate that staff are opposed to reform in prismatic organisations. Professional staff may seek after proper reform. A key informant argues that

“if reform was implemented TAK revenue would increase by 30%”

(KI3). This shows that tax evasion and avoidance are problems that can be tackled with the professionalization of revenue institutions.

#### 6.9.7 Summary

In this section I discussed centralisation and how it manifests itself. We saw that centralisation is largely enabled by a prevalence of ambiguity, specifically with regard to job descriptions. Further, it is fear of reform that indicates a desire for centralised control. And if reform does take place then it is chaotic. This suggests that reform programs are used to further the goals of high officials to increase their power within organisations.

### 6.10 Overlap between Bureaucratic recruitment and Centralisation

#### 6.10.1 Introduction

Here we will see how bureaucratic recruitment has commonalities with centralisation. Chiefly the overlap between these two themes is in the lack of clarity in expectations of staff. Let us see how this plays out.

#### 6.10.2 Lack of clarity in expectations of staff

The two themes of bureaucratic recruitment and centralisation also overlap, similarly to the others. From the fieldwork I learn that this shows itself mainly in the existence of

“conflict and/or lack of clarity in expectations of staff”

(KI1, I3). There may be ambiguity in formal job descriptions, or ambiguity in expectations in completion of tasks. The conflict and lack of clarity serve to enforce the power of informal networks.

A direct quote from a former insider is informative in this regard:

“staff does not have a clear understanding of the tasks that are expected of them, I am talking in general about [public] administration”

(KI1). While, a senior manager at TAK states

“in the legal aspect, for instance, deadlines related to the performance of a task, they can be ranked well, but there is no measurement how much is bureaucracy in a good service or a bad service”

(I3).

While the former insider (at KC) is talking about public administration in Kosovo in general, the senior manager at TAK is referring to international rankings and concludes that the

“ranking can be very subjective”

(I3). He is talking both about other institutions and other countries. And then he brings the attention to the TAK when stating that

“disrespect for legal deadlines is widespread, especially in the function of conducting controls, when often there are unnecessary time delays in relation to the taxpayer and this creates stress for the taxpayer, it leaves space for doubts and manipulation”

(I3). We have seen above how breach of legal deadlines is used both to demand bribes and to create favours for taxpayers. These quotes show that this is related to ambiguity in expectations of staff with regard to tasks performance.

This type of ambiguity may be designed into the new jobs created during recruitment. Alternatively it may be created during proclaimed reform efforts. The confusion between formal “decentralisation” and actual centralisation of organisations is manifestation of bureaucratistic recruitment and centralisation. Staff members hired and promoted during such reform periods may be deliberately hired into jobs with ambiguous job descriptions. This allows senior managers to proclaim decentralised services, while at the same time

their power/authority is centralised within the organisation. Also, new personnel hired into those positions are less likely to resist centralising efforts that increase the power of informal networks within organisations. They are also likely to be hired from existing informal political networks, which already exercise influence over the organisation.

### 6.10.3 Summary

As we saw in this section lack of clarity in expectations among personnel is the key area where bureaucratic recruitment overlaps with centralisation. We saw before how there is ambiguity in job descriptions. It seems that this is combined with ambiguity in expectations of task completion. These then serve the function of enabling centralisation. Further they enable the execution of over-rights and under-rights helping maintain the informal relationships within organisations.

## 6.11 Conclusion

In this chapter I have exposed the findings from interviews. I organised the chapter based on Riggs outlining of four key aspects of prismatic bureaucracy, namely low salaries and overstaffing, over-rights and under-rights, bureaucratic recruitment and centralisation. I have identified a key overarching theme, which is political interference in bureaucracy and I have discussed that first.

We saw in the second section in this chapter that there is undue political influence over institutions. Its levels oscillate and differ from institution to institution. And, knowing that the two institutions in my case study (Kosovo Customs and Tax Administration of Kosovo) exist within this context, it is expected that they will at least be partly exposed to such political stresses. From my interviews, I have found that political interference is more evident in TAK. However, I also found that there is expected to be intensification in political interference in KC.

We also saw that there is overlap between political interference and the four other themes:

low salary and overstaffing, over-rights and under-rights, bureaucratic recruitment and centralisation. Indeed, political interference is an overarching theme that impacts all the others.

Regarding the first aspect of prismatic bureaucracy mentioned by Riggs, overstaffing and low salaries, I learned of both being evident in public institutions in Kosovo. Specifically, if we contrast the KC and TAK, we can conclude that these qualities are more typical of TAK. Overall, TAK is more associated with other public institutions in Kosovo.

Alternatively, KC is seen as an outlier, where features such as overstaffing and low salaries are less prevailing. The consequences are that overstaffing and low salaries lead to employees looking for supplementary sources of revenue. And this is seen as being often a cause of corrupt behaviour.

Subsequently, I looked at the feature of over-rights and under-rights in prismatic institutions. I learned that capacity development projects are used as bases of extra income. Further, I showed that favouritism with personnel impacts choices on who has access to such added sources of income. Also, we saw that the existence of informal relations among employees leads to neglect of duties. From the discussions it is evident that TAK shows more prismatic behaviour when compared to KC. Further, the two key themes, low salaries and overstaffing, and over-rights and under-rights overlap. The key areas where they do so are in holding of other jobs, bribe-extraction, and favouritism of tax-paying firms. We also learned that there are manifestations of prismatic behaviour that are legal. For instance, the restrictions of staff to have other jobs, is limited only to certain jobs.

With regard to the third aspect of prismatic bureaucracy, bureaucratistic recruitment, I learned that it displays itself in several ways. This includes but is not limited to, hiring of political supporters, hiring based on clique interests, nepotism, and hiring promotion based on personal and political loyalties including as well as geographic origin. I concluded that these processes are interrelated with each other as often family and regional connections go hand in hand with clique and political networks. Further, I noted that I found a greater role for political interference in recruitment than Riggs prescribes. In addition to bureaucratistic recruitment taking place chiefly in accordance with the interests of high officials within the bureaucracy, as Riggs suggests, I found that such interests are incorporated within the larger interests of political clientelistic networks.

Further I looked at overlapping ranges of over-rights and under-rights and bureaucratic recruitment, namely, horizontal influence in hiring, and ad hoc hiring decisions. I found, regarding horizontal networks that they exist in parallel to the informal vertical networks. In this case as well, I found evidence of a phenomenon not outlined by Riggs. While he talks about vertical unofficial relationships within organizations, it seems space is created for horizontal networks among staff.

Finally, I looked at centralisation in institutions. I learned that centralisation is mainly facilitated by a frequency of ambiguity, particularly with respect to job descriptions. Further, I saw that the demand for centralised organisations leads to fear of reform. We learned that reform is described as chaotic when it takes places and is used to promote the ends of senior officials to increase their authority. In addition I learned that bureaucratic recruitment overlaps with centralisation, mainly in the lack of clarity in expectations. This ambiguity enables centralisation as well as the performance of over-rights and under-rights.

## 7 DISCUSSION

### 7.1 Introduction

In the findings chapter I presented responses gathered from interviews during my fieldwork. I showed how prismatic behaviour is evident both in public administration in general and in TAK and KC. I presented views from responses on various aspects of prismatic behaviour. And I showed how respondents perceive the impact of prismatic phenomena to affect the efficiency and effectiveness of public institutions.

The data from the findings chapter indicate that Riggs' theory of prismatic society was helpful in identifying key issues in my research. Other authors have focused on similar theoretical concepts when trying to understand dysfunction in public administration in transforming countries. A quote from Besley and McLaren (1993) captures the nature of the challenges of transition.

“It is in the hiatus created by the breakdown of societies based on kinship ties but before the creation of a thoroughly modern social order, that corruption is most likely to be a problem” (pp. 121).

Riggs' theory is a useful heuristic device to grasp the complex relationships and factors that lead to dysfunction in a transitional context. This includes the post-war state-building context and specifically Kosovo where I did my research.

In this chapter I will discuss the implications of the findings. I will provide an analysis of the findings and how they relate both to theory and practice. The chapter goes through an array of themes that emerged from my findings. It is organised as follows. First I will discuss the overarching issue of political interference. Then I will discuss the four aspects of prismatic bureaucracy as identified by Riggs (1964), namely low salaries and overstaffing, over-rights and under-rights, bureaucratistic recruitment, and centralisation, with a section being devoted to each aspect. After that I will discuss the implications of the findings for theory and practice. Finally I will discuss the key points in a concluding section.

As I explained in the literature review, post-conflict rebuilding literature has frequently relied on development and transition literature. It has focused on three key areas, specifically rebuilding legitimacy, establishing security and rebuilding effectiveness (Brinkerhoff, 2005). My research principally fell in the third group, focusing on institutional effectiveness.

Previous research by other authors on post-conflict state building has recognised several themes. First, is that post-conflict rebuilding assistance has many resemblances to development technical assistance or foreign aid. Second, there are nexuses among the three governance aspects, legitimacy, effectiveness and security, and they impact each other (Brinkerhoff, 2005, p. 9). Third, sometimes the notion of rebuilding is not fitting and merely building new institutions is what is required, because of the negative perceptions of previous systems (ibid.). Fourth, the correct equilibrium between local and national institutions must be established as excessive centralisation or too weak a national government can undermine state-building (ibid.). And lastly, the link between new and traditional governance structures is important as relying on traditional informal institutions for legitimacy requires a fine balancing act (ibid.).

In my study of two organisations in Kosovo I found that often there was a trade off between legitimacy and effectiveness to the detriment of the latter. Also, rebuilding is not an appropriate term to describe the Kosovan state building, as the previous system was a highly discriminatory apartheid system against the majority (Kosovo Albanian) population. That system was not being recreated, but new institutions were being built. Further, the balance between international and national authorities was maintained in such a way that only a small number of institutions, including the Kosovo Customs, remained under international authority for a significant amount of time.

In the literature review, I also pointed out that one of the main theories of state building argues that it should be grounded on local ownership (Pugh et al., 2011). Consistent with this theory, nation building is more probable to work if local communities are included in the process and greater political participation and contestation results in more effective public service provision (Scott, 1998). Nevertheless this outlook has been opposed by the theory that institutions should be insulated from the society in order for them to be successful (Geddes, 1994). I suggested that my findings seem to support the “insulation”

theory. This is in accordance with the work of sociologist Selznik (1948) who maintained that effective organizations demand a certain degree of autonomy.

Based on my research, I advocate that there needs to be a distinction between building bureaucratic and political institutions in state building. Whereas it is important for political institutions to ensure representation and ownership of all sections of society (Scott, 1998), bureaucratic institutions must be designed to be autonomous from societal factors (Geddes, 1994), in order to be effective. The debate would benefit from such a distinction between the two types of institutions and this could have significant implications for practice as well. Institution building programs can benefit from the ability to link representation to political institutions on one hand and strengthen meritocracy in administrative institutions. This means that when ensuring representation of social groups (ethnic, religious or other groups), all involved parties are aware that political institutions serve that purpose, while administrative institutions do not have to suffer in terms of effectiveness due to efforts to ensure representation in public administration. Therefore, the “local ownership” approach (Scott, 1998) and the “insulation” approach (Geddes, 1994) are not necessarily mutually exclusive.

Also, with regard to institution-building specifically, it has been understood in terms of the level of involvement of local versus international staff (Chesterman, 2005). My research suggests that it is important to also look at what type of local officials are employed, the type of training they go through, and the organisational culture they are socialized in. Concerning the issue of meritocracy in public administration during state-building, it is discussed in literature (Pugh et al., 2011) only as being part of a trade-off with ethnic representation. I propose, based on my findings, that the two are not necessarily mutually exclusive and a greater scrutiny of the issue of meritocracy in state building and institution building is essential for both the theory and practice of state building. In this study I looked at the presence of meritocracy in post-war institutions and how it is related to ethnic representation. I suggest that in the case of Kosovo, meritocracy was neglected and there was a much greater focus on ensuring overrepresentation of ethnic minorities in political institutions, as I described in the background and data analysis chapters. Despite Kosovo being fairly homogenous with minorities comprising only around 8% of the population, the international administration spent significant amounts of energy in ensuring overrepresentation of minorities in political institutions, which led to minority

representatives holding nearly 30% of the seats in parliament. This created resentment among the majority ethnic group (Kosovo Albanians), which in turn led to more political energy being spent on the issue of ethnic representation. On the other hand, meritocracy did not receive as much attention, as the international administration left it to national institutions and political parties to staff the newly created institutions, except for the Kosovo Customs and Police. This led to overstaffing in institutions and hiring based on personal and political loyalties instead of merit.

From my findings I can identify many of the issues mentioned in the debate above – the importance of legitimacy and effectiveness (Brinkerhoff, 2005), the dynamic of local ownership (Scott, 1998) and insulation (Geddes, 1994), the level of involvement of international staff (Chesterman, 2005), and the trade off between ethnic representation and meritocracy (Pugh et al., 2011) – as being pertinent to Kosovo. Indeed institution building in Kosovo has several criticisms, as I found. And respondents often have strong opinions both on the experience so far and as to what should happen next. There are several strong critiques of the process of the institution building. Special criticism is given to the decision to transfer the authority of TAK to national institutions very early. And the justification for the transfer given by UNMIK based on the need for legitimacy is seen as cynical.

Before I move on, I will repeat Riggs' definitions of the terms to be discussed. Riggs (1964, p. 293) mentions four aspects of prismatic bureaucracy that command particular attention. Explicitly, low salaries and overstaffing; over-rights and under-rights (the informal rapports amongst superiors and subordinates); bureaucratistic recruitment (appointments grounded on considerations of power and financial position); and centralization.

Regarding low salaries and overstaffing, Riggs (1964, p. 293) holds that scarce public revenues cause budgetary restraints on public servants' salaries. Whereas prismatic forces trigger the increase of the amount of staff in public service, the average salary declines below the local standard of living (ibid.). Riggs likewise claims that a prismatic administration is overstaffed (ibid.). He explains that in a prismatic society there is an excess of schools which turn out more graduates who find little or no private employment (ibid.). In such a setting public bureaucracy is the best form of employment (ibid.). Consequently in the prismatic public administration there is multiplying of sections,

divisions, and departments as a means to provide new governmental services (ibid.).

My findings suggest that low salaries as well as overstaffing are prevalent in public institutions in Kosovo in general. With regard to TAK and KC, TAK has both lower salaries and greater numbers of staff. And it is the more “prismatic” of the two. However, salaries are to be considered low, only in relation to a desired standard. When compared to salaries in the private sector, those in the public sector are higher. This leads to the desirability of the public sector for employment, thus further increasing pressure for overstaffing institutions. Whereas, Riggs may be right in assuming that salaries in prismatic countries’ public administrations are low, this may be true only in relation to industrialized countries. I found that public sector salaries are higher than those in the private sector in Kosovo. However, this fact contributes further to overstaffing in the public sector as Riggs suggested, due to the attractiveness of the public sector relative to the private sector.

The second facet of prismatic institutions acknowledged by Riggs is “over-rights and under-rights”. He outlines over-rights as dues paid to superiors by subordinate officials, and under-rights as duties of superiors executives to subordinates (Riggs, 1964, p. 297). This means that superior bureaucrats make sure that their personnel have access to informal networks that guarantee prospects for advancement and supplementary sources of income. In turn subordinates pay for the informal patronage of their superiors. One way how under-rights are played out is through non-performance of official duties (Riggs, 1964, p. 298). This often results in influence-peddling by officials that is related to non-performance of official duties (Riggs, 1964, p. 298).

I found that the phenomenon of over-rights and under-rights is present. This is significantly more prevalent in TAK compared to KC. TAK is influenced heavily by outside political networks which extend within the organisation. Belonging to these networks, mainly through political party membership is important for the career of TAK officials. The senior management is especially linked to political parties. With the transfer of authority over KC to national institutions, this is becoming true of KC as well. My findings seem to support Riggs’ suggestion on over-rights and under-rights, especially with regard to the issue of access to extra income and non-performance of duties.

The third aspect is bureaucratistic recruitment. Riggs (1964, p. 295) proposes that in prismatic institutions appointments, promotions and transfers are made to formally meet explicit administrative requirements, however, their fundamental function has to do with maintaining disparities in the power and financial position of executives and their followers. Thus at the formal level requirements of job descriptions must be met, and at the informal level standards for appointment are personal loyalty and willingness to participate in income supplementation schemes, as opposed to education and necessary skills.

During my research I found that bureaucratistic recruitment is prevalent in TAK, but not in KC. Generally, in TAK, recruitment and promotion is not based on merit. Rather, it is based on political and personal loyalties related to things such as geographic and family origin as well as personal relationships. Even human resource development schemes such as training and study visits abroad are controlled so as to allow access only to staff members showing political and personal loyalty to senior management. In the KC, hiring was meritocratic as it was controlled by international administrators. And KC does not hire large numbers of staff as it has very low staff turnover. In this aspect of prismatic bureaucracy as well, my findings support Riggs' ideas regarding recruitment.

Finally, Riggs summarises the fourth aspect of prismatic institutions, centralisation. He asserts that senior executives in a prismatic bureaucracy are hesitant to assign authority for fear of losing all control (Riggs, 1964, p. 300). Additionally, senior managers are obliged to protect their over-rights (Riggs, 1964, p. 300). Centralisation may occur while they are undergoing "decentralisation" reforms. Frequently decentralisation reforms are likely to lead to further centralisation within prismatic institutions.

Centralisation is also what I found both at TAK and KC, however to a greater extent in TAK. Centralisation in KC is only recent, taking place after the transfer of authority in 2012. In TAK centralisation has been a common feature since 2003, when authority over TAK was transferred to national institutions, and possibly even from 2000, when authority was shared between national and international institutions. Again, I found in my research that Riggs' propositions on centralisation could be supported.

In addition to the four facets of prismatic bureaucracy examined above, Riggs talked about four related features. They are "bureaucratic power", lack of meritocracy, formalism, and

mimesis. When speaking about bureaucratic power Riggs (1964, p. 273) is signposting the relative strength of the bureaucratic institutions paralleled to political institutions due to the fact that in newly independent countries bureaucratic institutions had existed from the colonial period, whereas political institutions were created after independence. The issue of meritocracy is related to the problems of bureaucratistic recruitment and overstaffing discussed above (Riggs, 1964, p. 275). Further, Riggs (1964, pp. 277–281) argues that prismatic bureaucracies suffer from a high level of formalism, outlined as the gap between what is formally proclaimed and what is enacted. Lastly, he claims that prismatic bureaucracies are highly mimetic, meaning they imitate institutions of developed countries, especially former colonial metropolises (Riggs, 1964, p. 279). I proposed to study these four features of bureaucracy and see how they are related to efficiency and effectiveness.

With regard to bureaucratic power, I found that in Kosovo it appears to be weaker than Riggs described in prismatic societies. This led me to propose that the context, in which TAK and KC were developed, in Kosovo, is a neo-prismatic one. I argued that a neo-prismatic context differs from a prismatic one mainly in the development of its political institutions. In a neo-prismatic society political institutions are stronger than those of a prismatic society and therefore political interference in bureaucracy is greater. Concerning meritocracy, I found that KC was significantly more meritocratic than TAK. This goes a long way towards explaining why KC is more effective and efficient than TAK. Regarding formalism, I found that TAK is more formalistic than KC. And finally, TAK is also more mimetic than KC. TAK is inclined to copy institutions of EU countries in form, especially because Kosovo is a potential candidate for EU membership.

## 7.2 Political interference

I proposed based on the data that there is oversized political influence over public institutions in Kosovo. Its levels change and vary from institution to institution. Given that the two organisations in my case study (Kosovo Customs and Tax Administration of Kosovo) exist within that milieu, it is predictable that they will at least be partially exposed to such political pressures. From my exchanges with interview respondents, I have found that political interference is much more predominant in the TAK than in KC. However, I have also found that the likelihood of greater political interference in KC is increasing.

I have also presented that there is overlap between political interference and the four key aspects of prismatic bureaucracy as identified by Riggs, low salaries and overstaffing, over-rights and under-rights, bureaucratistic recruitment and centralisation. In fact, political interference in administrative institutions is an overarching theme in the research. This only testifies to the fact that effectiveness of institutions is closely related to other aspects of state building. And political interference, as I showed in the findings chapter, is enabled by both formal and informal political networks such as political parties and regionally based networks.

I outlined in the literature review, when discussing state building, that there are two key views. The first argues that state building should be grounded on local ownership (Pugh et al., 2011). Whereas the other view holds that institutions ought to be insulated from the societal factors in order for them to be successful (Geddes, 1994). I suggest, based on my findings that, socio-political factors are strongly influential in institutions in transforming countries. And there is a link between the level of impact of societal networks on institutions and their inefficiency. I found that TAK where informal networks had a stronger impact, compared to KC, is relatively more inefficient and ineffective.

The importance of informal societal networks was identified in another post-war context. Lister and Wilder (2005) found that the formal state institutions coexist with informal institutions in Afghanistan. They term these the “de jure” state and the “de facto” state.

They argue that the de jure state in Afghanistan exists with weak institutions and lacks military and administrative control over large areas. While, de facto states operated by regional warlords and local commanders. Importantly, they claim that the de jure state and de facto state do not have clear boundaries. And many individuals function in both states.

They hold that it is the appointment processes where the power of the de facto state is shown to be often stronger than that of the de jure state. The power of

“local and regional power-holders” and political factions in appointment processes was demonstrated regularly.

In Afghanistan, commanders and warlords control appointments in civil administration positions in regional bodies. This was helped by problems in the formal appointment

system from the central government, namely slowness and lack of clarity. The result was that bureaucrats employed by commanders owed their loyalty to them, something that in some regions was true for most employees (Lister and Wilder, 2005, p. 42). Additionally, bureaucrats with strong connection to commanders did not feel obliged to comply to central government orders (Hegde et al., 1997, p. 43).

Besides informal political institutions, it is formal ones such as political parties that often interfere in the administration. Often this contributes to corruption. Interrelationships between politics and administration are seen as an important cause of corruption in lower income countries (Huberts, 1998, p. 215).

Attitudes of political parties are very important in transition contexts. Norms and values of politicians and public servants is the most important cause of corruption cited by experts both in higher income and lower income countries. How they view public service and administration is expected to have an effect on how public institutions are developed (Huberts, 1998, p. 215).

Very often, there are accusations that there is no political willingness to fight corruption. Lack of commitment of leadership to combat corruption is seen as a very important cause of corruption in lower income countries. Therefore, the behaviour of political organisations both in and out of government is crucial to understand function and dysfunction in public administration.

With regard to Kosovo, I showed how political interference is extensive. I realised from conversations that there were political changes after the transfer of TAK from UNMIK to MEF in 2003. And, it seems that the interference has increased with time. I heard from respondents that, after elections held in 2004, with the change of the Minister of Finance, there were politically motivated interventions in TAK from the ministry. Further, among the TAK staff there was 'positioning' of staff after the changes in 2005, and divisions along political loyalties.

And yet I discerned that there is a view that political interference was not always predominant in TAK. Interference increased after the transfer of competences from international to national authorities. This golden age of TAK is thought to have subsisted

although TAK offered relatively less incentives for employees compared to KC. This indicates that it is due to political interference and not incentives per se that TAK suffers from inefficiency.

My findings seem to support the view that in order to build effective institutions, it is important to insulate them from societal factors (Geddes, 1994). The literature from sociology also argues that autonomy is important for effective organisations (Selznick, 1948). Political interference appears to lead to inefficiency in public institutions.

### 7.2.1 Political interference and international administration

Also, there is likely to be political interference, of a different sort, even in organisations that are effective. I learned that in the beginning of the institution building processes, KC had higher salaries than TAK. I found that some respondents believe KC was better looked after both by international and national authorities because they somehow gained from KC. This may mean that when international and national authorities have a vested interest in an organisation being effective they will ensure that it becomes so.

I found that the choices the international administrators made were an issue. The fate of both TAK and KC were influenced by courses of action chosen by UNMIK at certain critical point. It seems that the choice to extend insulation to KC and not to TAK was related to the function that KC performed collecting VAT taxes from imports at border crossings. This may have been the easiest way for UNMIK to reduce the amount of aid given to Kosovo, which in the initial post-war years included the entire public budget. My findings seem to support the view that “pockets of effectiveness” in transforming countries exist due to the functions that those effective organisations provide (Leonard, 2010a). Later interventions by international administrators (UNMIK) and supervisors (ICO), in the period following the initial post-war phase, might be explained by the function of KC as an organisation facilitating free trade, as well as its role as the key revenue collector for the public budget.

The question why international administrators chose to insulate KC from political interference, but not TAK, is beyond the scope of this dissertation. My speculation above

is based on interviews, however, the intention of my research was not to answer this question. This would constitute a question that is best provided through further research.

### 7.2.2 Implications of political interference

The implications of my findings regarding political interference are mainly two-fold. In terms of theory my research has serious implications for Riggs' theory of prismatic society. He claimed that in prismatic societies political interference in bureaucracy is generally low. This was due to the young age and underdevelopment of political institutions, relative to the bureaucratic institutions. My findings suggest that this is not the case. I have proposed the concept of neo-prismatic society to encompass relative development of political institutions, which are able to extend their influence onto the bureaucracy. As Riggs prepared his theory during the 1950s and 1960s, he was talking about newly independent states arising from decolonisation that had colonial bureaucracies, but nascent political institutions. I argued that there has been a relative development of political institutions vis-à-vis the bureaucracy, which enables them to interfere with the work of bureaucrats. This development happened during the industrializing period of the 1960s and 1970s. It was later followed by deindustrialisation, which led to the emergence of neo-prismatic societies in transforming countries. I have devoted several sections to the discussion of neo-prismatic society in the next chapter on contribution to knowledge.

My findings also have repercussions for practice. The implications are that in order to build effective institutions it is important to insulate them from societal political networks. This is very important for transforming countries as well as for cases of state building and institution building. The lessons of ineffective institution building were made clear recently with the collapse of Iraqi forces before the offensive of Islamic State (IS). There are many cases of war and state failure, such as Syria, Iraq, Libya and Somalia, whose institution building would benefit from lessons learned in cases like Kosovo. It is also significant for the work of aid agencies such as DFID, which play a significant role in supporting the development of administrative institutions in transforming countries.

### 7.3 Low salaries and overstaffing

As I described in the literature review, Riggs claims that one of the most important features of public administration in transforming countries is the low level of salaries. This seems to be supported by other authors. Public sector salaries are most often “unfair”, amounting to sums in the tens or low hundreds of US dollars (Ferrinho et al., 2004) (Siegel, 1996). Low salaries are identified as one key reason why public sector employees engage in corruption, alongside other factors (Fijnaut and Huberts, 2002). Low salaries in the public sector are seen as an important cause of corruption, and much more so among experts in lower income countries (Huberts, 1998).

In fact many studies show that in the post WWII period, and post-independence period of many developing countries low salaries were a problem. And the consequence is increased corruption and decreased trust in the state. Low salaries in Indonesia led to endemic corruption (Quah, 1982). In the Philippines low salaries and corrupt behaviour of bureaucrats led to low prestige of bureaucracy (ibid., p.159). In Singapore low salaries and rising cost of living can explain the need of bureaucrats to engage in corruption (ibid., p. 161). Also in Thailand low salaries and rising cost of living lead to corruption.

Often salaries appear to be nominally high, and in some cases they are higher in the public sector than in the private sector. However, they should be understood in relation to the cost of living. Even in countries where public sector salaries are considered to be relatively high, they are not sufficient to ensure a decent standard of living due to inflation (Lindauer et al., 1988). Furthermore, real wages have been declining in developing countries (Lindauer and Nunberg, 1994) (Haque and Sahay, 1996) (Gould and Amaro-Reyes, 1983) (Chaudhry et al., 1994). Public sector salaries decrease with time due to inflation, for instance, the salary of a Mozambican nurse in 1999 was only 10% to 15% of its value 15 years ago (Ferrinho et al., 2004). My work suggests that public sector salaries are higher than those in the private sector, however they are not comparable to industrialized countries. In the case of Kosovo, the fact that Euro is used as a currency means that inflation is not very high, however it does exist.

### 7.3.1 Low salaries, corruption and trust in institutions

Low salaries have detrimental effects not only on worker motivation but in other aspects as well. In Afghanistan, low salaries (and late payment) were a major and unanimous complaint of bureaucrats. This had the effect of diminishing loyalty to the state among bureaucrats and as well as engaging in corrupt behaviour (Lister and Wilder, 2005). Van Rijckeghem and Weder (1996) found that there is a direct negative relationship between public sector salaries and corruption. Studying 20 countries in the period from 1982 to 1994, they concluded that the ratio of civil service salaries to manufacturing sector salaries is a meaningful determinant of corruption (Van Rijckeghem and Weder, 1996). Low salaries are a major issue for health workers in Asian and Pacific countries, and a key reason for their migration (Henderson and Tulloch, 2008). And health workers engage in coping strategies such as dual practice and holding multiple jobs (Henderson and Tulloch, 2008).

Public sector employees often have to secure additional income to cope with the cost of living. Public health workers rely on coping strategies to compensate for low salaries. These include dual practice (in both public and private sectors), absenteeism, bribery, misappropriation of drugs and supplies and referral of public sector patients to private sector practices (Ferrinho et al., 2004). Dual practice is likely present in all countries regardless of income level, but especially in lower income countries (Ferrinho et al., 2004).

Understandably the problem of cost of living is related to wider economic and political problems. Economic problems such as inflation and recession are seen as an important cause of corruption in lower income countries. Likewise, social inequality ranked even higher among important causes of corruption in lower income countries (Huberts, 1998). Additionally, the transition processes of privatisation, liberalisation and democratisation offer ample opportunities for corruption (Fijnaut and Huberts, 2002).

My work, and specifically findings from TAK and the subversion of its training programs, suggests that a simplistic view of corruption is not adequate. The traditional transaction based view of corruption is juxtaposed with the views based on a wider context in which corrupt transactions are nested. This view takes into account other aspects of corruption. This includes characteristics of corrupt behaviour such as the needs of officials to

participate in informal networks to secure their employment, the necessary dues to be paid for access to these networks, and the necessary expenses to maintain their status once it is achieved.

### 7.3.2 Low salaries, austerity and unemployment

Often governments deal with unemployment by hiring people in the public sector, and when they are faced with budget restrictions they opt for decreasing salaries instead of reducing staff numbers. Governments in developing countries frequently have to engage in budgetary adjustments, as advised by international institutions. Decreasing or maintaining salaries in nominal terms is often the most preferred route, as firing public employees is not attractive due to high unemployment and lack of social safety nets (Haque and Sahay, 1996) (Kraay and Van Rijckeghem, 1995). This short-sighted policy of attempting to reduce budget deficits by decreasing real wages in the public sector (Klitgaard, 1989) leads to the collapse of incentives.

Lowered productivity is a result of incentive dysfunction. Bureaucrats with low wages are likely to spend a significant time of their working hours on rent seeking behaviour, something which reduces institutional productivity (Haque and Sahay, 1996) (Alam, 1989) (Gould and Amaro-Reyes, 1983) (Krueger, 1974) (Wade, 1982). Low government wages result in declines in public sector productivity, as measured by tax collection rates, and a rise in corruption (Haque and Sahay, 1996). Haque and Sahay (1996) claim that tax collection can be increased by raising salaries of auditors. Faced with the trade off between decreasing salaries and reducing employment to achieve fiscal consolidation, governments end up worsening the fiscal balance if they choose reducing wages (Haque and Sahay, 1996).

Furthermore, overstaffing is linked to the inability of creating job opportunities in the private sector. Initial recruitment drives may be used as a way to deal with unemployment. However, this leads to a vicious cycle of a ballooning public sector both being a burden to the small tax base and preventing the widening of the tax base.

The issue of low salaries is compounded by the fact that, the average salaries in the public

sector are higher than those in the private sector. This makes the public sector desirable for employment as comparatively it offers more job security and higher salaries than the private sector. I found that salaries in the public sector are generally higher than those in the private sector in Kosovo.

The level of salaries in the public sector differs from country to country. Naturally the implications of salary levels will vary in each context. And what this means is that corruption and bribery will be different for every country context.

Moreover, this may have implications for research in public administration. Mainstream public administration assumes that salaries are lower in the public sector than the private sector. My work shows that this is not always the case. One possible direction for further research is to compare salaries between different countries and how they impact institutional performance and corruption. This means both comparing salaries between countries and between the private and public sector.

The phenomenon of recurrent recruitment is also evident from the data on yearly staff changes I gathered from the TAK. From the data I showed that these spikes in recruitment correlate with critical points in political developments. These critical points are transfers of authority from international to national institutions and elections. Each of these critical points was followed by changes in the staff. The greatest changes in the TAK took place in the period succeeding two of the most important critical points. The first one is the transfer of authority over TAK from UNMIK to the Kosovo Ministry of Finance in 2003. And the second one is the change in the government following elections in 2007. These elections preceded another critical point, which is the declaration of independence in early 2008. This led to yet more transfers of authority over the TAK from the international administration to the national government. This transfer of authority provided the newly formed government with the opportunity to initiate changes in public administration institutions. This is evident from the data on the number of staff that was hired and fired in the TAK.

The data show that the largest number of firings took place in this period. This relatively large number of firings of staff shows that new governments did not always refrain from firing people in public administration institutions. This is somewhat contrary to the beliefs

expressed in the interviews that politicians refrain from firing existing staff in public administration. It may be that firing does take place when the control of an institution passes from one political party to another. In cases where control of an institution remains within the same political party, although there is a change in government, firing is less likely to take place. However, even in the case of changes of political parties in control, the firing of existing staff is likely to be limited in number, and confined to senior management or those that openly oppose the new regime. This seems to be in line with the view that firing of staff is not preferred by policy makers in transforming countries (Haque and Sahay, 1996) (Kraay and Van Rijckeghem, 1995).

Further I found that international administrators, United Nations Interim Administration Mission in Kosovo (UNMIK), were very influential in hiring. UNMIK had an important role to play in the staffing of the new institutions. As I have described previously in the background chapter, UNMIK was mandated with institution building in Kosovo. Not only did it have a supervisory authority over Kosovo's institutions (the Provisional Institutions of Self-Government-PISG), it had a direct role in establishing institutions, including recruitment. As we saw from the case of TAK, in practice the staffing of new institutions was done in cooperation between UNMIK and Kosovan authorities. It is likely that national authorities used their power within the UNMIK administration to maximise the employment opportunities for political supporters. And the recruitment practices were approved by UNMIK. In the case of Customs, however, we see a different approach, where UNMIK actively limits the power of national authorities over institution building, including recruitment. These findings support the view that strong insulation from societal factors lead to effective institutions (Geddes, 1994).

Another noteworthy conclusion that emerges from the findings is that employment in the public sector is seen as the only realistic option in the economic context of Kosovo. This may indicate a pessimistic view regarding the opportunities for economic growth. Or it may show an ideological inculcation to the view that there is no alternative to the current model of economic organisation.

### 7.3.3 Deindustrialisation and its consequences

Whereas I found that unemployment was seen as a major cause of overstaffing in public institutions, I also discerned a limited incidence of discussing the underlying cause. This is deindustrialisation, which is a process that Kosovo has gone through since the 1980s. It was greatly intensified during the war, and further continued in the post-war period with the privatisation programme. I have discussed in the background chapter that Kosovo's industrialisation was never very extensive. The number of employed people in industry barely reached over 50% in the late 1970s and early 1980s and that share has been declining ever since. It is not a coincidence that this period coincided with a peak in employment. The post-war period saw a deepening of deindustrialisation with the privatisation of socially-owned enterprises by the international administrators. Kosovo's experience can be seen as a form of neo-liberal state-building where the economy is decoupled from the state, and the state is designed to have a very limited role in an economy dominated by free trade.

There is a link between the rise of unemployment and deindustrialisation in a transforming country context. Widespread unemployment is likely to lead to a ballooning public sector (Haque and Sahay, 1996), if it is not addressed through creating jobs in the economy. Deindustrialisation and long-term unemployment are linked to overstaffing of public sector institutions. I suggest that without confronting this problem, it is difficult for transforming countries to deal with issues of overemployment in the public sector.

### 7.3.4 Low salaries and education

Riggs talks about the proliferation of education institutions leading to a large number of graduates who seek employment in the public sector. The primary employment destination of graduates in many countries is the public sector. A study in Indonesia in 1977 showed that 96.8 per cent of graduates chose public sector employment as their first or only preference (Simanjuntak, 1979). This was true even though they knew that the formal salaries were much lower than their expectations. Clearly they had high income expectations from supplementary sources (legal and illegal). This has attracted job seekers to the public sector and helped increase employment in the public sector (Simanjuntak,

1979). Besides limited opportunities for employment in the private sector the opportunity cost of private employment was high given the income expectations in public employment.

I found similar phenomena in Kosovo. From interviews I learned that TAK has more staff with university degrees than KC. The existence of larger number of graduates, as we see, may not be a solution to the problems of an organisation. I found that the grade point average (GPA) of university educated staff, at TAK, is around 7-8 (with 10 being the highest grade). Corresponding to the mediocre quality of education, I found that there are views that only one third of staff deserved their positions at TAK. Despite having a bigger number of university graduates, TAK has greater capacity development needs than KC. This shows that it is problematic to assume that hiring of graduates leads to effective organisations, as KC did not focus on recruiting university graduates.

#### 7.3.5 Double employment

Graduates who are interested primarily in the private sector, too, desire employment in the public sector. In Cambodia, the links with the public sector are highly valued, as they give physicians access to information, opinions of influential doctors, recruitment of patients, privileges for treating and referring patients and an opportunity to make a contribution to the community (Ferrinho et al., 2004, p. 9). I found that double employment exists in TAK, and did not find it to be prevalent in KC. In fact, legally, TAK personnel are only prohibited from holding second jobs in some areas. Besides being able to work in some second jobs in the public sector, TAK staff can also work in the private sector as accountants - “moonlighting” or “sunlighting” as Riggs calls it. They have more opportunity for work in the private sector than KC staff, and it is likely that they take advantage of it.

#### 7.3.6 Implications of low salaries and overstaffing

As the level of salaries in the public sector is likely to differ from country to country, the implications of salary levels will vary in each context. And what this means for corruption and bribery will be different for every country context. Despite the fact that low salaries

are not the only factor related to corruption and prismatic behaviour in public institutions, it is clear that addressing this problem is necessary, even if it is not sufficient, in order to build effective and efficient public institutions. Low public sector salaries result in declines in public sector productivity, as measured by tax collection rates, and a rise in corruption (Haque and Sahay, 1996).

The problem of overstaffing is more entrenched than it may appear at first glance. Any attempt to deal with this problem has to include addressing the underlying problem of long term unemployment and deindustrialisation (Kraay and Van Rijckeghem, 1995). I propose that overstaffing of public institutions cannot be remedied without creating employment opportunities in the private sector through promotion of industry. Recent history shows that high levels of employment were achieved in tandem with high levels of industrialisation. Furthermore, expansion of mediocre higher education has to be recognized as a factor leading to overemployment in the public sector. Graduates who aim to find work in the public sector through political connections are a burden for public institutions and the society. Reforming education systems to provide more cadres for the needs of the private sector should ameliorate the burden of the public sector.

Additionally, this may have implications for research in public administration. Mainstream public administration assumes that salaries are lower in the public sector than the private sector. We learn that this is not necessarily the case in a transforming society context. One possible direction for further research is to compare salaries between different countries and how they impact institutional performance and corruption. This means both comparing salaries between countries and between the private and public sector.

#### 7.4 Over-rights and under-rights

As I have shown in the section on the Relevance of prismatic theory for the case of Kosovo, in the literature review, this aspect of bureaucracy is one of the four identified by Riggs. The aspect of over-rights and under-rights is also visible in my case study. One important way in which it manifests itself is by superiors providing access to additional income from training programmes. It is evident that capacity development projects are used as sources of additional income. Also we saw how favouritism influences decisions

on who has access to such extra sources of income as senior officials send bureaucrats that do not need the training on training visits in other countries.

In addition, we found out how informal relations between staff members lead to negligence of duties by some employees. These types of prismatic behaviour seem to be quite common in public institutions in Kosovo. Again from the conversations it is evident that TAK exhibits more prismatic behaviour compared to KC. The final point is that even technical assistance professionals do not always properly understand the financial implications of prismatic behaviour. The focus on training to improve capacity seems misplaced. I found a perception that it is not possible to transform through training sessions officials that were hired based on nepotism and political loyalties, instead of merit. My findings suggest that Riggs ideas on over-rights and under-rights in a prismatic bureaucracy are confirmed.

#### 7.4.1 Over-rights and under-rights leading to corruption

Over-rights and under-rights do overlap with the aspect of low salaries and overstaffing. Mainly they do so in three key areas. That is, holding of additional jobs, bribe-extraction through breaches of legal provisions, and favouritism of tax-paying firms through breaching legal provisions. I discussed the maintenance of more than one job in the section above on low salaries and overstaffing. Here I will discuss the phenomenon of bribery and cronyism in the privates sector.

Bribery is closely linked to the breaching of legal provisions and non-performance of official duties by bureaucrats. Bribes have a negative impact on efficiency and productivity. “Speed money” bribery leads to administrative delays as bureaucrats intentionally slow paperwork until a bribe is paid to them (Gould and Amaro-Reyes, 1983). From the interviews I gathered non-performance of duties is more common in TAK, although I did not ask questions about bribery. This may be related to TAK’s relative inefficiency compared to KC. This finding seems to support Riggs claim regarding non-performance of duties as an aspect of over-rights and under-rights.

This aspect of prismatic behaviour is very important because it directly leads to corruption.

When superiors do not sanction breaches of legal provisions a fertile environment for corruption is created. Lack of control, supervision and auditing is seen as a top cause of corruption both in lower income and higher income countries (Huberts, 1998). From the interviews I gathered that some staff members are not “supervised” and are allowed to get away with breaches in TAK.

Corruption is also a result of informal links between politicians, business and bureaucrats. The existence of clientelistic networks encompassing politicians, firms, and bureaucrats is directly linked to corruption. Inter-relationships between business and politics and the state are seen as one of the key causes of corruption both in lower income countries and in higher income countries (Huberts, 1998, p. 215). I found that TAK suffers from a relative absence of transparency and accountability towards its staff, where decisions are not communicated and there is secrecy in the high levels of management. Also, there are strong accusations that some firms are favoured by TAK. Again, my findings on informal networks help confirm Riggs’ arguments about their prevalence in a prismatic bureaucracy.

#### 7.4.2 Legal prismatic behaviour

Some of these manifestations of prismatic behaviour may be legal. The limitations of staff to hold only certain additional jobs, allows for the possibility of them holding other types of jobs. Further, the misuse of training and capacity building programs as tools for extra income is a significant manifestation of prismatic behaviour. Also, we saw that breaching legal provisions is one way of ensuring extra income and paying their over-rights for staff members. This, in turn, extends to providing favour to firms involved in clientelistic networks. So, certain firms can be excluded from random checks for tax evasion, while no laws are broken. Whereas Riggs’ did not talk about prismatic behaviour being legally permitted, he did suggest that breach of legal provisions is a common aspect of over-rights and under-rights in a prismatic bureaucracy. My findings support Riggs’ suggestion.

#### 7.4.3 Implications of over-rights and under-rights

Over-rights and under-rights as a phenomenon are directly linked to the existence of

informal networks. These networks may include not only officials from within the organisation, but also from politics and the private sector. It is likely that political parties maintain these networks. Riggs argued that political institutions, including political parties, are weak and bureaucracies are strong in prismatic societies. My findings suggest that political parties are relatively stronger and they have more influence over bureaucracy than vice versa. Access to these networks is possibly provided based on considerations of political loyalty, geography, and personal and family connections. The preference for face-to-face relationships in informal networks raises questions about the role of trust and social networks. It is likely that leaders of such networks select members based on parochial values due to their prismatic socialisation. This can mean that leaders with a more “diffracted” or modern background are less likely to rely on parochial and face-to-face networks for building their political networks. If we look at one of the interface of administration, as proposed by Subramaniam (2000), that is recruitment, this can lead us to conclude that recruiting individuals holding more universalistic values can lead to more effective and efficient institutions.

An important implication can be that it is very difficult to fight corruption without tackling the informal networks, which include politicians and firms, besides bureaucrats. This leads to a paradoxical situation, where political leaders are required to undertake anti-corruption reforms, yet, this would mean they would have to dismantle the networks which they themselves maintain in order for reforms to be successful. There calls, often, for political will to fight corruption, but it is likely that in a neo-prismatic context, that political will cannot come from the politicians in power, as they are the ones benefitting from it. This is especially the case in situations where corruption takes place “within the law”, such as through subverting existing legal programs (such as capacity building), or simply directing public spending to benefit firms connected to public officials within their informal networks. The conclusion from this may be that the only way to fight corruption in such a situation is through elections, where voters can vote in a new political elite.

## 7.5 Bureaucratic recruitment

Bureaucratic recruitment manifests itself in various ways. These include, hiring of supporters through political patronage networks, hiring based on clique interests, nepotism,

and promotion based on personal and political loyalties. All of these processes are related to one another. Often family connections go hand in hand with clique and political patronage networks.

#### 7.5.1 Lack of meritocracy

Riggs focuses on the lack of meritocracy in recruitment and promotion. I have found evidence of this in Kosovo, especially in TAK. Also, similar phenomena appear in a number of transforming countries. In a study, rural health workers in Vietnam reported that they could not understand the selection criteria for participation in capacity development programmes, and felt the process was arbitrary (Henderson and Tulloch, 2008, p. 12). In Nepal opportunities for sponsored higher education abroad for rural health workers were not linked to performance (Henderson and Tulloch, 2008, p. 12). Doctors with 20 years of experience in Dominican Republic earned the same as new graduates in 1996. Staff was paid without regard of whether they performed their assigned duties and rewards for good performance were not practiced (Ferrinho et al., 2004, p. 2) (Lewis et al., 1991).

#### 7.5.2 Involvement of political networks

I must note that I have found in my fieldwork a much stronger role for political interference in recruitment than Riggs prescribes in his theory. Whereas Riggs seems to suggest that bureaucratistic recruitment takes place largely for the interests of senior officials within the bureaucracy, we see that in my study these interests are subsumed within the larger interests of political clientelistic networks. This may be an important avenue for further research.

The importance of political clientelistic networks may be amplified by the oversized role of the public sector in the labour market. As I have mentioned before, this comes as a result of the inability of successive governments to create enough jobs in the economy. However, at the same time political parties benefit from a weak economy as that enables them to control access to jobs. This in turn brings them votes, which helps them maintain power.

Another common thread that emerges from the responses is that political parties and their clientelistic networks act as intermediaries in the system. They facilitate the employment of people into the public administration. And once the cycle is set in motion they control it and maintain it as it ensures their power.

### 7.5.3 Geographic and provincial loyalties

Also, I learned from interviews that geographic origin plays an important role in recruitment and promotion. Recruitment and promotion seems to be largely based on regional origin, with preferences for regions where directors are from. Further, officials from relatively underdeveloped regions tend to show more favouritism for staff from those regions. Sometimes, regional favouritism is even able to transcend political party lines. These least developed areas correspond with the strongholds of key political parties in the post-war institution-building phase, LDK, PDK and AAK. This indicates a correlation between levels of development and particularistic values.

### 7.5.4 Horizontal networks

Whereas he talks about vertical informal relationships within bureaucracies, it appears space is found or created for horizontal networks that enable prismatic behaviour. These horizontal networks may be cooperative or competitive with the existing vertical networks. I suggest that this is an important point that can be explored in further research.

There are overlapping areas between the aspect of over-rights and under-rights and that of bureaucratistic recruitment. Evidently, there are two main areas of overlap. Namely, horizontal influence in hiring, and ad hoc hiring decisions. The conclusion on the horizontal networks may be that they exist parallel to the vertical networks of power. They may even be created to resist the overwhelming power of political vertical networks. Again this seems to be outside of what Riggs prescribes.

### 7.5.5 Implications of bureaucratistic recruitment

My data on bureaucratistic recruitment seem to largely support Riggs' assertions. He centres on the absence of meritocracy in recruitment and promotion. I have discovered evidence of this in my study, especially TAK, the relatively ineffective and inefficient organisation. The implication for practice is that meritocratic recruitment is a precondition for building effective and efficient organisations. In transforming countries, it is likely that this can be achieved, only through conscious efforts to insulate organisations from social and political networks.

Importantly, I found in my research a significantly greater role for political interference in recruitment than Riggs stipulates in his theory. Riggs argues that bureaucratistic recruitment takes place largely for the interests of senior executives within the bureaucracy. However, my work suggests that these interests are incorporated within the superior interests of political clientelistic networks. The significance of these networks may be magnified by the fact that the public sector dominates the labour market, due to the failure to create jobs in the private sector. This means that political parties control access to jobs, because of the high unemployment. The implication of this for practice, may be that bureaucratistic recruitment can be fought meaningfully only with increased employment in the private sector and decreased dominance of the public sector in the labour market.

Similarly to what Riggs proposes, I found a correlation between levels of development and particularistic values. For officials originating from underdeveloped regions, geographic origin plays a significant role in recruitment and promotion. An implication for practice is that strict meritocracy must be imposed in recruitment to prevent bureaucratistic recruitment by senior administrators, especially when there are changes in leadership.

Whereas Riggs discusses vertical informal relationships within bureaucracies, my findings suggest that there is space for horizontal networks that enable prismatic behaviour. They function as a counterweight to the power of vertical networks. Therefore, meritocracy in recruitment suffers not only from top-down imposition of prismatic recruitment, but also from horizontal influences as mid-level officials seek favours from each other.

## 7.6 Centralisation

Centralisation is largely enabled by a prevalence of ambiguity, specifically with regard to job descriptions. Further, it is fear of reform that indicates a desire for centralised control. And if reform does take place than it is chaotic. This suggests that reform programs are used to further the goals of high officials to increase their power within organisations. These findings are in line with what Riggs claims regarding centralisation in prismatic institutions.

#### 7.6.1 Corruption of reform measures

I found that officials believe proper reform in TAK would lead to a significant increase in revenues. A key informant claimed revenues would grow by 30% if meritocratic reform were implemented in TAK. This seems in line with estimations from other countries. In Nepal, from 20% to 30% of planned revenue was not collected because of bribery. In Thailand up to 47% more revenue could be collected if corruption and tax evasion was eliminated (Alfiler, 1986). Indeed, misorganisation and mismanagement are seen as a very important cause of corruption in lower income countries (Huberts, 1998, p. 215).

#### 7.6.2 Lack of clarity

Lack of clarity in expectations among personnel is the key area where bureaucratic recruitment overlaps with centralisation. We saw before how there is ambiguity in job descriptions. It seems that this is combined with ambiguity in expectations of task completion. These then serve the function of enabling centralisation. Further they enable the execution of over-rights and under-rights helping maintain the informal relationships within organisations.

This problem is evident in other countries as well. Around 47% of Indonesian nurses and midwives did not have job descriptions. (Henderson and Tulloch, 2008, p. 11). Also, there is a positive correlation between performance and clarity of job descriptions among health workers (Henderson and Tulloch, 2008, p. 11).

### 7.6.3 Implications of centralisation

Similarly to what Riggs proposes in the prismatic theory regarding centralisation, I found that it is a feature of the relatively more prismatic organisation, TAK. Centralisation takes place mainly due to a reluctance of senior executives to give up control. A lack of clarity, especially with regard to job descriptions and task allocation, is the lifeblood of centralisation. Further, any reform programmes including those that are aimed at decentralisation, are likely to lead to more centralisation. This can have significant implications for practice. Technical assistance programmes run by international aid organisations often promote and implement public administration reform projects. They work under the assumption that reform is desired and will lead to better performance. My findings suggest that reform is not necessarily desired by bureaucrats, even though it may be agreed to. Further, when it is implemented, reform is likely to be subverted for the prismatic interests of senior executives.

### 7.7 Discussion of findings in relation to the four hypotheses

Based on the data analysis and discussion above we can conclude that the first hypothesis “Higher level of autonomy from political interference leads to more efficiency in an organisation” is confirmed. There is stronger political interference in TAK, which is the less efficient organisation. Compared to KC, TAK enjoys less autonomy from political interference. The differences in efficiency between the two organisations can be explained to a large extent by the fact that KC was shielded from such interference by the international administrators (and later by supervisors) for a long time. TAK on the other hand was exposed to political interference early on in its existence. This led to instability and wasteful behaviour that has impacted the ability of the organisation to perform its duties effectively and efficiently. Autonomy from political interference is crucial for the effectiveness and efficiency of both KC and TAK.

Based on the data on revenue and expenses, we saw that KC is more efficient and effective than TAK. From the historical overview we can see that one of the main factors that led to this difference was the transfer of the mandate over TAK to national authorities from UNMIK in 2003, three years after TAK’s establishment. This fateful decision by the

international administration led to strong political interference within TAK, which has resulted in a relative lack of efficiency and effectiveness. This decision can be contrasted with the decision not to transfer competencies over KC to national authorities. In fact the international community retained supervisory competencies over KC (among other areas) even after Kosovo declared independence in 2008, up until 2012. For a period of five years after Kosovo declared independence it was the International Civilian Office (ICO) that retained supervisory and veto powers over a number of areas including security and public revenues.

Indeed, even during the ICO mandate the insulation of KC from political interference continued all the while the same insulation was not extended to TAK. This took a very active form with ICO leaders intervening directly to stop attempts to change the director of KC by the government. Therefore we can conclude that there was a continuation by ICO of the UNMIK policy of differentiation between TAK and KC and the amount of attention that was devoted to each to ensure their development into efficient and effective institutions.

Just how important the isolation from political interference is for each institution can be seen through the developments since late 2012 after the ICO completed its mandate and transferred the competencies over KC to national authorities. Soon after that transfer the director of KC was changed by the government and, furthermore, changes were made to the way future directors will be appointed, giving more power to the prime minister to have a direct say in future appointments. The new KC director appointed in 2013 had a connection with the government, as he served as an advisor to the finance minister previously. There are indications that things have taken a turn for the worse in KC with the organisation becoming more susceptible to political pressure and engaging in behaviour unlike in its past, such as using data selectively to present a better picture, KC staff appearing in political campaign videos for the party in government, and strengthening informal channels and networks of authority within the organisation. These are developments that mirror those in the TAK in 2003 when national authorities took control from UNMIK.

Also, we must conclude that UNMIK decided that it was important to keep control over KC and not so with TAK. Handing over the mandate over TAK to national authorities and

the mandate over KC was a conscious choice made by UNMIK officials. This was justified at the time by using politics of the day, namely the demand for more power by national authorities and the criticism of UNMIK for having too much power. However, while UNMIK decided to hand over TAK to national authorities it did not feel compelled to do so with the KC for the same reasons and under the same political climate of criticism.

Moving on to the second hypothesis, namely, “Higher level of meritocracy leads to more efficiency in an organisation”, we can see that it has to be accepted as true also. KC is more meritocratic and more efficient compared to TAK. Further, there are notable differences between TAK and KC. TAK officials are civil servants and are governed by the law on civil service. This is not the case with KC officials, except for a small unit within the organisation. KC is regulated by the law on customs and the customs code.

On average KC employees receive higher salaries than those within TAK. On top of that, KC staff also has uniforms provided by the organisation, which also has the effect of removing the cost of buying business attire for officials.

Importantly, TAK has to compete with the private sector for staff, unlike KC. TAK staff can work as accountants or finance advisors in private companies, a possibility that most KC staff do not have. This may be a result of the original hiring strategies, where KC staff were not required to have a particular university background or a degree at all, while TAK staff were usually required to have an economics or finance and accounting background. Some TAK staff worked as accountants in private firms or ran their own accounting firms before starting work at TAK.

Hiring of civil servants in the post war period was affected by the phenomenon of adverse selection due to the policies of UNMIK and other international organisations. Salaries for civil servants were low, whereas salaries for local staff at UNMIK were high. The problem was compounded by the large number of international organisations operating in Kosovo that offered high salaries for local staff. This attracted would be civil servants with relatively better education and foreign language skills away from local institutions. This, in turn, led to local institutions having to select their staff from a relatively less educated and less worldly pool of people.

The results on the third hypotheses regarding formalism, “The more formalistic an organisation is the less efficient it is,” also tend to be positive. Though it is more difficult to confirm this hypothesis, it can be said that TAK is more formalistic compared to KC. Informal channels of power and affinity are strong and often take precedence over formal authority and rules. This results mainly in selective usage of formal rules and regulations to suit the political and/or personal needs of senior officials and politicians in power.

The fourth hypothesis, “the more mimetic an organisation is the less efficient it is,” is also confirmed. TAK is more mimetic and less efficient than KC. It has more training and especially foreign study visits. These study visits abroad to counterpart organisations are used mainly to reward employees with exciting trips to foreign countries, although the formal aim is to learn how other organisations operate. Thus TAK ends up copying from many different foreign organisations.

Technical assistance missions (technical advisors) from international aid agencies are also more common in TAK. They are from different countries such as US and Germany, thus bringing with them different administrative traditions that TAK has to absorb. These backgrounds of assistance missions or individual advisors are not necessarily compatible with each other and this might lead to conflicting agendas and models being promoted within the same organisation.

Mimetic behaviour leads to inefficiencies and often creates problems further down the road. The case of the tax software in TAK is illustrative. TAK had received its software as a donation from Canada, and subsequently it has to pay Canadian consultants to maintain it. However, this software is not compatible with EU requirements and TAK will be forced to change it soon. This led to TAK imitating Canadian institutions, although its practices need to be in line with those of the EU. What was initially a “donation” results in extra money and time spent by the organisation in having to adopt new software.

Organisations are quite aware of international rankings as well, and TAK slightly more so. The World Bank’s Doing Business report is very important. This is the most quoted instance of international rankings. In addition to being used within the organisation its prominence might also be a result of public discourse. The world banks Doing Business report is quoted extensively in the media every year. Politicians have also used it during

election campaigns in order for government ministers to take credit for improvements in the rankings or to criticize stagnation by the opposition.

There are four main points to be made from the data analysis. First, whereas it might be easy to predict behaviour in effective and efficient organisations, it is more difficult to do so in less effective and less efficient organisations.<sup>7</sup> Efficient organisations are efficient in similar ways and inefficient organisations are inefficient each in their own way. In the Tax Administration there is more unpredictability compared to the Customs Service. Prismatic behaviour is difficult to pinpoint and to predict. It is easier to define prismatic behaviour by what it is not more than by what it is.

Although prismatic behaviour is difficult to pinpoint, there are some features that can be discerned. A very important feature is selectivity. This includes different types of selectivity, ranging from applying rules and regulations to choosing employees to be rewarded. This can lead to paradoxical situations, where within a formalistic organisation, although usually rules are not respected, sometimes they are applied to the letter if that serves the interests of senior managers or their political superordinates. Selectivity is very much related to the concept of discretion, which Riggs argues that prismatic bureaucrats have this in greater amount.

One other important theme that emerges is that prismatic behaviour is associated with the use of specific terms loaded with context-specific meaning. In the context of Kosovo, these terms include: systemisation – finding a job placement for someone, accommodation – finding an (appropriate) job position for someone. Usually they refer to hiring political clients or members of personal and family networks, which might be the same people, and although these terms have obtained a negative connotation due to their association with corruption and nepotism, they are used by politicians to imply positive behaviour when justifying certain hiring decisions. Such decisions are justified in terms of supporting people whom are perceived to have made specific past contributions to society, for instance either for volunteering during the war or during the 1990s period voluntary health and education system, or in terms of their current needs, namely due to the lack of any

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<sup>7</sup> “All happy families are alike; each unhappy family is unhappy in its own way.” Tolstoy, L., 1998. *Anna Karenina*. Oxford Paperbacks.

salaried income in the family, or both.

Second, it seems that inefficiency is the “affliction of others”. During the interviews with staff members of each organisation, it was not difficult to find negative opinions with regards to the efficiency of other organisations. However, it was nearly impossible to hear responses admitting inefficiency in the own organisation.

Third, the transfer of competencies for the Customs Service over to the national authorities in 2013 lead to developments similar to those of 2003, after the transfer of competencies for the tax administration. This includes increased political influence and changes in organisational structure. This strongly suggests that it was insulation from political influence that led to a more efficient Customs service.

Fourth, the relationship between the international insulators/protectors and meritocratic/”non-prismatic staff members becomes one of patronage thus resembling the prismatic behaviour they are trying to prevent and oppose. In order to survive, officials that are not part of political networks are forced to rely on patronage from international supervisors. This leads to the paradoxical situation of senior officials mirroring and replicating the behaviour that they aim to resist.

In summary, if we compare the two organisations, we find that, in general TAK is less efficient and effective than KC. My findings at TAK largely support Riggs’ views on prismatic organisations. Based on the historical development of the two organisations we can conclude that what has led to this difference in efficiency and effectiveness is the transfer of competencies for TAK over to the national authorities from the international administration at an early stage of TAK's development.

## 8 CONCLUSIONS

### 8.1 Introduction

In this chapter I offer concluding thoughts on my dissertation. I describe the contributions of this study to knowledge. I demonstrate why using Riggs' prismatic model is useful for understanding institutions in transforming countries. Similarly, I delineate my main contribution, which is the existence of neo-prismatic societies. I clarify how neo-prismatic conditions differ from prismatic ones. Moreover, I propose how this model can be contrasted to the dominant management theory of NPM. Additionally, I explained that my findings suggest that it is possible to build effective institutions in transforming countries.

Likewise, I examine the implications of my study for theory. Subsequently I enumerate a list of ideas for further research emerging from my study. Moreover, I review the implications of my findings for practice. Lastly, I provide a reiteration of the key ideas from each chapter before discussing the main conclusions of the study and its limitations.

### 8.2 Contribution to knowledge

This research project has several contributions to knowledge. The findings add to scholarship on organisational behaviour, comparative public management and comparative politics. It specifically contributes to the following subfields of organisational behaviour theory: national culture, organisational culture, power and politics, and leadership, especially leader-member exchange theory. My findings are highly relevant for the study of organisations in developing countries and emerging markets as well as international dimensions of organisational behaviour.

My research relied heavily on comparative public administration and especially the prismatic theory. Justifiably, it has important contributions to the field. Before I move on to discussing contributions to knowledge I will summarize Riggs' (1964; 1973) theory of prismatic society. Riggs' model, often called the "prismatic model" or "sala model", is contrasted to the Weberian "bureau" model of public administration. According to the prismatic model, the bureau serves not only as an office where the mandated activity of the

bureaucrat is conducted, but it also serves as an arena where the bureaucrat will conduct personal and political business. Riggs devised the concept of the prismatic society to describe societies in transition from tradition to modernity where the traditional institutions have been disrupted, but the modern institutions have not yet been established. He uses the analogy of the diffracting of the light through a prism to explain how traditional institutions that are fused (perform more than one function) after going through transition are then diffracted (each institution performs its own function). According to Riggs, the sala model of public administration is prevalent in prismatic societies, or societies undergoing transformation. I suggested to compare the Riggsian model to the Weberian model and not to the Neo-Weberian State (NWS) model because the NWS model accepts that a Weberian style bureaucracy exists and it is rationalised to be made more responsive to citizens needs. While, I proposed to examine if Weberian features exist in TAK and KC. Some NWS features such as responsiveness to citizens/service users and professionalization are claimed to exist, but they are largely formalistic.

Riggs argues that prismatic bureaucracies are less efficient, however he adds, they are more effective than fused ones. Further he states that prismatic bureaucracies are less efficient than diffracted ones. Riggs' (1964, p. 263) definition of efficiency refers to the relative cost of accomplishing an objective. Whereas he defines effectiveness as the extent to which a given objective is carried out (Riggs, 1964, p. 263).

Riggs outlines four aspects of prismatic bureaucracy that require special attention. Namely, low salaries and overstaffing, over-rights and under-rights (the informal relationships between superiors and subordinates), bureaucratistic recruitment (appointments based on considerations of power and financial position), and centralization (Riggs, 1964, p. 293).

Regarding low salaries and overstaffing, Riggs (1964, p. 293) argues that insufficient public revenues are the budget to pay public servants is inadequate. While prismatic forces cause the increase of the number of staff in public service, the average salary decreases below the contextually defined standard of living (Riggs, 1964, p. 293). Riggs (1964, p. 293) also claims that prismatic administration is overstaffed. He explains that in a prismatic society there is a proliferation of schools which turn out more graduates who find little or no private employment (Riggs, 1964, p. 295). In such a context public bureaucracy is most attractive form of employment (Riggs, 1964, p. 295). Therefore in the prismatic

public administration there is proliferation of sections, divisions, and departments as a means to provide new governmental services (Riggs, 1964, p. 295).

The second feature of prismatic institutions identified by Riggs is “over-rights and under-rights”. He defines over-rights as duties paid to superiors by subordinate officials, and under-rights as duties of superiors officials to subordinates (Riggs, 1964, p. 297). This means that superior officials make sure that their employees have access to informal networks that ensure opportunities for advancement and additional sources of income. In turn subordinates pay for the informal patronage of their superiors. One way how under-rights are played out is through non-performance of official duties (Riggs, 1964, p. 298). This often results in influence-peddling by officials that is related to non-performance of official duties (Riggs, 1964, p. 298).

With regard to bureaucratic recruitment Riggs (1964, p. 295) suggest that in prismatic institutions even though appointments, promotions and transfers are made to formally meet explicit administrative requirements, their underlying function has to do with variations in the power and financial position of executives and their supporters. Thus at the formal level requirements of job descriptions must be met, and at the informal level criteria for appointment are personal loyalty and willingness to participate in income supplementation schemes.

Finally, Riggs defines centralisation as a feature of prismatic organisations. He argues that senior executives in a prismatic bureaucracy are reluctant to delegate authority for fear of they will lose all control (Riggs, 1964, p. 300). Additionally, senior managers are obliged to defend their over-rights (Riggs, 1964, p. 300). Centralisation may happen even as they are undergoing “decentralisation” reforms. Often decentralisation reforms are likely to lead to more centralisation within prismatic institutions.

I have summarised in this section several key aspects of the prismatic society theory. My research has relied on this theory and I have tried to test its applicability in the context of Kosovo. Below I will discuss contributions to knowledge and how they related to theory.

### 8.3 Why use Riggs' theory?

Riggs' theory of prismatic society is useful mainly because it provides a series of concepts and terminology to help us think about the transitional stage between tradition and modernity that many societies are in. Many attempts to understand the functioning of institutions in transitioning countries fail because they lack the necessary concepts to discuss the transitional stage. They often end up blaming traditional "culture" for the failures of policies and institutions. Riggs' theory helps differentiate between tradition and the transitional stage between tradition and modern where traditional norms are displaced but not yet fully replaced by modern ones.

The prismatic model is still relevant, because even though a small number of developing countries have industrialised, the majority have remained in a transitional phase. What is worse, many countries have lapsed and there is an ever-present danger of proliferation of failed states. And the experience of former communist Europe after the collapses of the regime and states shows the importance of building strong institutions.

Also, importantly, the critique of the prismatic model has not been able to diminish its value. Riggs' critique has focused mainly on attacking the prismatic model for being ethno-centric and for a misplaced focus on building institutions during the Cold War which in some cases was used as justification for military dictatorships, as well as for being based on little evidence from a small number of countries (Heady, 2001) (Subramaniam, 2000) (Chapman, 1966). Accusations of ethno-centrism are not adequate. To the contrary, the prismatic theory does not claim superiority of any national administration, and is precisely designed in such a way to help us avoid using essentialist explanations for failures in policy-making and institution building. The model is compatible with other economic, sociological and political models that utilize a three-part approach. Just as prismatic theory proposed a model of society based on traditional/"fused", transitional/"prismatic, and modern/"diffracted" institutions, so do other theories. For instance, Almond and Verba (1989) use a similar model to describe political culture, based on three types or stages, "parochial", "subject", and "participatory". In terms of economy countries are grouped in low-income, middle-income, and high-income countries. In all these cases there is an assumption that countries undergo through a transitional phase from traditional institutions

to modern ones. Unless we acknowledge this, it is impossible to design solutions for countries that have been stagnating in this phase, or even going backwards.

Regarding the focus on strong institutions, the risk of creating new military dictatorships seems subsumed given that the Cold War has been over for more than two decades. The fear of terrorism might lead to such efforts, but this is precisely the reason why this theory must be utilised to help developing countries build sustainable institutions to prevent failed states. With regard to empirical evidence, I would suggest that now is the time to undertake further research to test the hypotheses put forward by this theory, given that now there is an abundance of data, compared to the 1960s and 1970s when the theory was designed.

#### 8.4 The neo-prismatic society

One of the most striking findings of my research is the widespread and often intensive political interference in public institutions. Riggs talks about political interference in the context of the conflict between political institutions and bureaucratic institutions. He argues that political institutions in a prismatic society are weak and unable to exert control over bureaucracy (Riggs, 1964, p. 226). However, I found that political interference in the bureaucracy is extensive. This may be explained by the relative development of political institutions in the communist period in Kosovo. Riggs (1964, p. 235) states that even in a diffracted totalitarian system, there is political control over the bureaucracy imposed by a mass-movement political party.

Here we must have in mind Chapman's (1966, p. 431) conclusion that Riggs' concept of relative "diffraction" is very useful as a common variable of economic, political, social and administrative development in future analyses. Therefore, it is possible to argue that diffraction varies over time. This variation in the level of diffraction helps us understand the developments in Kosovo.

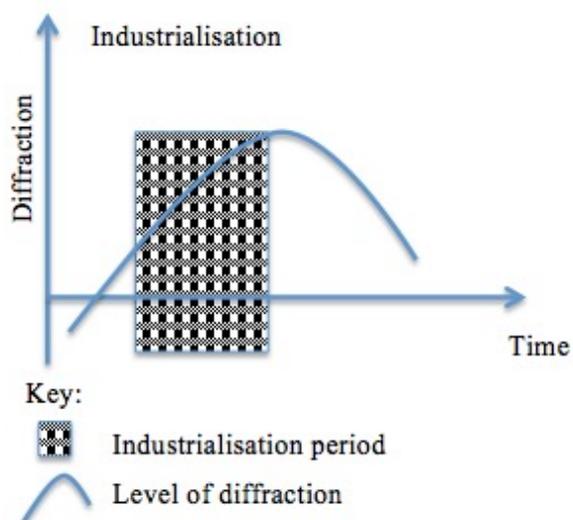
We can understand the strength of political interference in bureaucracy in Kosovo if we keep in mind the relative diffraction achieved during the communist period. The post-communist transition amounts to a period of degradation on the diffraction scale. However, political institutions after the relative development achieved in the intervening communist

period, have not degraded to the point of not being able to exert any meaningful control over the bureaucracy. The power of political parties remains relatively strong vis-à-vis the bureaucracy. This results in political interference in the bureaucracy that I have found in Kosovo.

The implication of this finding is that in countries that have seen a relative period of diffraction, a purely prismatic context does not exist. Societies that have undergone diffraction, however limited, are different from those that have yet to experience it extensively. I suggest that the societal context of these countries, such as Kosovo, can be described as neo-prismatic.

Due to the post-communist nature of Kosovan society, the NWS model discussed in the literature review is relevant. Because Kosovo can be said to have had a bureaucracy with Weberian features in the communist periods, the Neo-Weberian State model and its discussion among Eastern European scholars is pertinent. I had proposed to contrast the Riggsian model to the Weberian model and not to the Neo-Weberian State (NWS) model for the reason that the NWS model assumes that a Weberian style bureaucracy exists and it is modernised to be made more responsive. And I in fact tested if Weberian elements exist in the two organisations I studied. Therefore, in terms of explanatory power, NWS is relevant, in the sense that it is formalistic feature of reforms purporting to make institutions more responsive along its lines. Consequently, its explanatory power is limited. However, I suggest that NWS is more useful as a normative model for neo-prismatic societies. It would be anachronistic for such societies to attempt a purely Weberian model of public administration. Reform efforts have to consider developments in public administration and NWS is a very important development both in practice in continental Europe and theoretically.

Figure 12: Level of diffraction in society and its variations



As I have explained before, Riggs (1964, p. 24) places prismatic societies in a transitional scale between traditional agricultural societies and modern industrial societies. Therefore diffraction is closely linked with industrialisation. In the case of Kosovo, a relatively high level of industrialisation was achieved in the post-WWII period up to the 1970s and the 1980s. This was followed by deindustrialisation in the 1990s. This period has coincided with a “retraditionalisation” of many aspects of social life (Reineck, 1993). This reduction in the level of societal diffraction can be considered to have led to a neo-prismatic context.

## 8.5 Differences between prismatic and neo-prismatic contexts

Political interference is larger in a neo-prismatic context. There is a higher level of development of political institutions in a neo-prismatic context. Neo-prismatic societies appear following a period of industrialisation and modernisation, and subsequent deindustrialisation.

### 8.5.1 Aspects of neo-prismatic politics and bureaucracy

#### 8.5.1.1 Rotation of parties

Riggs says that there is no rotation of parties in a prismatic society. In a neo-prismatic context rotation of parties in power or some type of power sharing exists. In Kosovo, there

are is political competition among a number of parties. Two key parties have competed for power after the war, the PDK and LDK. They have both contested each other and collaborated in coalition governments together.

#### 8.5.1.2 Mimesis of past regimes

Riggs holds that in prismatic societies institutions imitate those of industrialized societies. I argue that in addition to this, in a neo-prismatic society there can be another type of mimesis. In former totalitarian, or former-communist countries, parties may imitate past mass-movement parties in behaviour, while they formally imitate Western-style parties. This is likely due to their history of development in a totalitarian regime including having been in power during that period.

#### 8.5.1.3 Bureaucratic interference in relation to political interference

Riggs argues that in a prismatic society, bureaucracies are stronger than political institutions. As a consequence there is bureaucratic interference in policy making. Additionally, political interference in bureaucracy is weak. In a neo-prismatic context, as I found in Kosovo, political interference in bureaucracy is significant. Further, bureaucratic interference in policy making is quite weak.

### 8.6 Neo-prismatic model and New Public Management (NPM)

I have explained above about certain aspects of the neo-prismatic model. Now I will compare it with the New Public Management (NPM) model. This is useful as NPM has found widespread application in many transforming countries, and it has coincided with the period of deindustrialisation, which has created the conditions for the neo-prismatic model. More specifically, one aspect of NPM reforms, autonomisation of service delivery (Manning, 2001), is highly relevant for this dissertation as the Kosovo Customs Service can be considered an autonomous agency. First, I will provide a summary of the NPM model, and later I will discuss it in the context of transforming countries and vis-à-vis the neo-prismatic model.

As I described in the section on **The New Public Management (NPM)** in the literature review NPM has had various applications in transforming countries with mixed results. An important implication of this is the impact NPM has had on states and state building efforts. Below I will provide a brief discussion of this impact as well as some constraints to NPM in the wider former communist region, where Kosovo is located, before I talk about NPM and the neo-prismatic model.

#### 8.6.1 NPM, the state and transformation

Regarding the role of the states, there is a view that globalisation makes states more necessary than before. The state understood as "structured human consociation in space and time" has shown strong resilience (Katell et al., 2005, p. 96). And in the post-communist region we have seen the establishment of more states (even nation states) after the break up of Yugoslavia, Soviet Union and Czechoslovakia. The EU itself is based on a state structure paradigm, and it acts as a state in a functional sense (Löffler & Vintar 2004; Katell et al. 2005).

The need to deal with the current economic and development issues (sustainability, dynamic markets, innovation and technology) enlarges the role of the state (Katell et al., 2005). Ha-Joon Chang's (2003) concluded that neo-liberal reforms have failed to provide economic growth and that developing countries grew more by ignoring neo-liberalism and increasing the role of the state in development. Evans and Rauch (2000) argue that Weberian features are crucial for economic growth in developing countries, with merit selection being the most important one.

#### 8.6.2 Constraints to NPM

There were several factors that limited the application of NPM in post-communist transitioning countries. In the former communist transitioning countries of Central and Eastern Europe (CEE), the EU integration process is significant. First, public administration reforms with the aim of building administrative capacity were spurred by the process of EU integration. Second, even before the start of this process CEE countries

modelled their administrations on continental countries such as Germany and Sweden, and classic continental career models are becoming the norm. Further, the OECD SIGMA branch advising CEE countries on administrative reform was critical of NPM. And more importantly, the EU has a preference for the classical model, with the European Administrative Space being Weberian (Katell et al. 2005).

### 8.6.3 Suitability of NPM for transforming countries

NPM is considered to be unsuitable for transforming countries by many authors (Otenyo and Lind, 2006; Katell et al., 2005). If NPM is to work it should be in an environment of a well functioning and democratic administration, which is not the case in transition and developing countries (Peters et al., 1998; Katell et al., 2005). It is difficult for deregulation to work because it is difficult to maintain accountability and prevent corruption without formalized controls. Further, because NPM re-establishes political control of bureaucracy, it is often unwanted by administrators (Katell et al., 2005).

NPM also brings a trade off between 'efficiency' on one hand and accountability and responsibility on the other, which leads to a democratic deficit. This coupled with the erosion of commitment to public service are not suitable at all in an environment where the first priority is building a democratic state (Katell et al., 2005, p. 100). Further, the NPM model is not able to deal with the technological revolution and political transition in many countries, especially in CEE (Debicki, 2003).

### 8.6.4 NPM and the neo-prismatic model

There are four key points to note when discussing the relationship between NPM and the neo-prismatic administration. First, is that NPM acts as an enabler for political interference in public administration. Second, the implementation of NPM measures increases insecurity among staff. Third, private sector based models are inappropriate, especially in transforming societies as the private sector is not developed. Fourth, with regard to suggestions for autonomy of institutions, the case of the Kosovo Customs, suggests that autonomy can lead to greater effectiveness and efficiency.

I found that governments used programmes aimed at public administration reform to increase their interference in public institutions. One aspect of the reform was the use of NPM concepts. This enabled the increase of political interference in public administration. Reform of public administration was planned in Kosovo starting in the mid 2000s. The Kosovan government, led by PDK after coming to power in 2007, engaged in administrative reform. This was done with the support of aid agencies, especially USAID. The stated goal of the reform was to improve the performance of public administration, and this was to be achieved by introducing NPM measures. One of the most significant measures was the introduction of politically appointed permanent secretaries and senior management in the civil service. This resulted in appointments of PDK party members, which has increased political interference in the civil service.

Implementation of NPM concepts is likely to increase insecurity of staff. Dissolution of the permanent contracts and the fear of being fired at any point, leads to insecurity. This is likely to have a negative effect on performance. The general atmosphere of mistrust caused by political interference is exacerbated by added insecurity of employment.

As I showed in the sections on **Causes of overstaffing** in the Findings chapter and in **Deindustrialisation and its consequences** in the Discussion chapter the private sector is underdeveloped. Similarly to the interference in public institutions, political parties interfere in the private sector as well. Private sector firms that enjoy the patronage of the political elite are part of networks that help them avoid taxation. Introduction of a public administration model based on the private sector is therefore unfounded as the private sector is underdeveloped in transforming countries. Any comparative advantages in efficiency in the private sector that might exist in a developed country are not likely to exist in transforming countries.

Finally with regard to autonomous institutions, the Kosovo Customs, was designed to be autonomous and separate from the civil service in Kosovo. The creation of such autonomous or semi-autonomous revenue institutions has seen application in other transforming countries as well. This has contributed to the effectiveness and efficiency of the organisation. However, as the concept of autonomous institutions implies, they are exceptions rather than the rule. Furthermore, they are exceptions that prove that a stricter

separation between politics and administration is necessary for effectiveness and efficiency in public institutions in transforming countries.

### 8.7 Building effective institutions in transforming countries

Milne (1970, p. 64) argued that a study of variations in effectiveness within a country can point the way to how administration could be improved. I have found that it is possible to build effective institutions in neo-prismatic contexts. The case of the Kosovo Customs (KC) shows that effective and efficient institutions can be built with the existence of political will and the appropriate human resource management.

This seems to be in line with the “insulationist” perspective of “good governance” identified in literature by Cummings and Norgaard (2003, p. 3). According to this perspective decision-makers and administrators must be insulated from societal and economic interest groups (Geddes, 1994; Williamson, 1994; Stark and Bruszt, 1998; Linz, 1990; Haggard, 1990; Haggard and Kaufman, 1992; Balcerowicz, 1995).

At this point, I would bring attention to the discussion on “pockets of effectiveness” in transforming countries. Leonard (2010) found that there have been 62 hypotheses offered to explain why such pockets of effectiveness exist. He groups them under five “meta-hypotheses” which are:

- “An organisation’s ‘productivity’ is largely determined by how it does its tasks – i.e. by management and leadership – not primarily by its function or its political context.
- Function drives organisational structure and personnel, which in turn determine performance.
- The process by which efforts to improve performance is undertaken frequently can overcome other aspects of its political context.
- Political institutions shape what is organisationally feasible and are not automatically deducible from interests and power.
- The underlying political economy in which an organisation is placed ultimately will overcome and shape all the other causal factors and thus determine what

productivity is possible.” (p. 93)

My findings suggest that the overall political and economic context of Kosovo influenced the fate of the TAK and KC. And, KC became a more effective organisation due to a series of political decisions by UNMIK, which were related to the economy. It is likely that KC was favoured, due to its function as an agency that collects indirect taxes relying on taxing imports. This is a matter that can be investigated by further research, as it was not within the scope of my study to investigate the reasons behind UNMIK’s decisions.

## 8.8 Lessons learned

There are several lessons, I suggest, that can be learnt from this study useful for the field. Firstly, efficient and effective institutions can be built in post-war and developing societies. As the case of the Kosovo Customs (KC) shows, it is possible to design and build efficacious institutions in prismatic societies. The development of KC was possible although it drew from the same pool of people for its staff. It was turned into an efficacious organisation through meritocratic recruitment and promotion and autonomy from political interference. If it sounds that the only way to achieve this is by imposing an international tutelage this is not so. Reform minded national and local governments can just as easily create strong institutions, if they are committed to change and willing to forego short-sighted political gains by turning institutions into turkey farms for political clients.

Secondly, international administrations or organisations can act as insulators to help develop efficient and effective institutions. In post conflict contexts where international organisations are responsible for administration this is an easier task. However, even in other prismatic contexts this is possible given the great power that many aid organisations such as USAID and DFID enjoy.

Finally, international administrations and or organisations make choices that have direct implications for both the institutions and society. As the case of different treatment for KC and TAK shows, international organisations make important choices which include which institution or policy to support. Such choices not only have implications for the institutions themselves but for the society as well. We will look at those implications below.

## 8.9 Theoretical implications

There are many theoretical implications from this study it seems. Scholars of state building, including those focusing on “pockets of effectiveness”, do not agree on the importance of local ownership in state building. It seems there is a need to define better what is meant by local ownership when talking about state building and democracy promotion. Whereas, it is true that political institutions should not be bypassed and political processes have to be locally owned and led, it seems to also be true that state building benefits from autonomous bureaucracies and democracy building benefits from effective internal revenue institutions. The role of revenue institutions in democracy building and state building has been recognized recently, and this study adds to the focus on how important tax institutions are in this regard. Related to this is the role of fiscal policy in democracy building and state building and it is important to not rely only on indirect taxes and customs taxes at the peril of not developing a local tax base.

This study sheds light on the nature of efficient and effective organisations in prismatic societies. There is no need for them to be viewed as something mystical, and it is possible to understand what makes them efficacious. To do that, it is necessary to grasp what is their role and function in the web of institutions in the society including international organisations and the role of the country in the international arena. The role of international organisations in determining the fate of local institutions demands more focus. Especially important is to understand that they are in a position to determine which organisations are selected to receive adequate support and attention and which are neglected.

Finally, this study stresses that there is a need to examine connection between institutions and institution building and economic and societal factors. Institutions are not built in a vacuum and they are both affected by their surrounding socio-economic conditions and in turn affect those conditions. This is especially the case with revenue institutions.

## 8.10 Further research

First, one possible direction for further research is to compare salaries between different countries and how they impact institutional performance and corruption. This means both comparing salaries between countries and between the private and public sector. As salaries in the public sector can often be higher than those in the private sector it is important to learn how that affects institutional performance.

Second, more research has to be done on the connection between unemployment and public sector employment. Often widespread unemployment is likely to lead to a ballooning public sector in transforming countries. It would be useful to learn of cases when this issue has been addressed through creating jobs in the private sector.

Third, deindustrialisation as the underlying cause of unemployment and overstaffing in the public sector. Evidently the issues of unemployment and deindustrialisation are strongly linked in a transforming country context. And widespread unemployment is likely to lead to a ballooning public sector, if it is not addressed through creating jobs in the economy.

Fourth, an avenue for research is looking at horizontal networks within institutions. I concluded that horizontal networks exist parallel to the vertical networks of power and they may even be formed to challenge the overwhelming power of political vertical networks. It would be interesting to learn how these horizontal networks are formed in prismatic institutions and how they interact with vertical networks.

Fifth, there are several possible research questions regarding the role of international organisations, such as: Why are certain institutions chosen by international bodies to be supported to become efficacious and is there a pattern in post conflict and developing countries? How did the international organisations make such choices and what was the process of decision-making? And, can the experience of post-war countries be directly applicable to developing countries?

Sixth, there are potential research questions that relate to prismatic behaviour. Most importantly, it would be informative to do research on how to better define prismatic behaviour? Also, what amount of prismatic behaviour is led by political interests how

much of it is led by personal interests?

Finally, it is worthwhile to study the role of parochial values in political networks. Do politicians holding more parochial values create corrupt informal networks? And do bureaucrats holding more parochial values lead to inefficient organisations?

### 8.11 Implications for practice

Let us look at some key practical implications of this study that I propose. These are useful both for national governments and international aid agencies. Firstly, efficiency and effectiveness of revenue institutions leads to higher revenues, which, in turn has repercussions for public spending including public services. This may seem obvious, but it is necessary to state given that, as this study itself shows, often one revenue organisation is overlooked to the benefit of another. The focus on Semi-Autonomous Revenue Institutions in developing countries, which tend to be customs agencies, often means that internal taxation and its administration are neglected. This leads to higher levels of informality and reduced revenues for the public budgets. Internal direct taxation is also crucial for creating expectations accountability and provision of public services and as such is an essential element of democracy building.

Secondly, meritocratic recruitment and promotion and meaningful use performance evaluation are more important than training and capacity building projects. Technical assistance missions are taken for granted both by aid agencies and national governments. However, this study shows that, such missions may have little to no effect in prismatic institutions. Subsequent training and capacity building or capacity development is less likely to have an impact if the staff are not hired meritocratically and if there is political interference in the organisation. The implication is that the institutions where technical assistance missions can have the largest impact do not actually need such missions.

Thirdly, it is important to limit political interference in order to build sustainable efficient and effective institutions. It has been shown here that political interference leads to various deficiencies in organisations. It is the most important factor in the development of an organisation. Limiting political interference to create autonomous institutions should be a

priority.

Fourthly, international administrations of post war countries and international aid organisations must be aware of their own hiring practices. They impact negatively on the ability of national governments to hire the best staff by providing high salaries for local staff. This leads to the situation where instead of the best people being part of an institution, they act as outside advisors which can have only short-term positive effects at best.

Fifthly, policy designers of aid programmes do not always properly understand the financial implications of prismatic behaviour. Such behaviour can lead to massive waste in technical assistance projects. Aid programmes, such as those that focus on capacity building, can be subverted and used for corrupt purposes.

Finally, there is an important implication for society. It is crucial to focus on creating a tax base and increasing internal revenue instead of relying on customs taxation. This leads to the formalization of the economy and the creation of jobs which post-conflict and developing countries desperately need.

## 8.12 Recapitulation of key findings and conclusions for each chapter

### 8.12.1 Chapter One: Introduction

The beginning of this research project was influenced by my desire to bridge the differences between the theory on public administration and my personal experience with public administration in Kosovo. I decided to investigate the failures of institution building to understand the mismatch between public administration theory and the reality of public institutions in the post-war nation building in Kosovo. I proposed to look at two cases of institution building, the Customs and Tax organisations.

### 8.12.2 Chapter Two: Literature review

This chapter, containing the literature review, proposed to investigate the connection

between public administration, post-conflict institution building, and revenue institutions in transforming countries. It resulted in my proposal to utilize the “prismatic theory” proposed by Riggs to understand institution building in post-war Kosovo. First, I summarized post-conflict institution building. State-building is considered to be imperative based on the assumptions that the sovereign state is the best form of organisation to secure prosperity (Berger, 2006), that the international community must be engaged in state-building and that failed states are a threat to other countries (Call, 2008) (Barnett, 2006). Then I found why studying revenue institutions in transforming countries are significant. The importance of taxation in the context of state-building is recognized by a growing strand of literature, and whose main theme is that taxation is important for state-building because it provides a bargaining focal point between the citizens and the state and because it develops tax collecting institutions of high quality (Keen, 2012, p. 19).

I then discussed the main comparative public administration theoretical models. There three main approaches to comparative public administration: the traditional theoretical approaches based on ecology, new theories influenced by the New Public Administration (NPM), and theories that attempt to join the two. I proposed to use the prismatic model proposed by Riggs (1964) including his definition of organisational efficiency and effectiveness. The theory of prismatic society is especially useful because it offers us concepts to discuss phenomena that take place in societies that are no longer traditional and not yet modern. The concept of prismatic society is useful because whereas the term “transitional” assumes teleologically that a society is actually transitioning towards modernity, the term “prismatic” does not necessarily imply that (Graaf et al., 2010, p. 38). Riggs’ concept of polynormativism is also very significant and valuable in understanding bureaucracies in prismatic societies (Graaf et al., 2010, p. 40). Various authors have employed Riggs’ theory to inform their research on comparative public administration. A very important strand of research that uses the prismatic theory is that on pockets of effectiveness in transforming countries, which provides several hypotheses as to why such pockets exist.

Whereas literature on organisation theory has looked at organisational effectiveness, I found that the literature on comparative public administration, besides NPM-inspired work, does not pay sufficient attention to the issue of efficiency and effectiveness. Also, there are no examples of attempts to test any of the hypotheses of the prismatic theory although its

importance is recognised in the field. Further, its critique has not done a good job of refuting its hypotheses, although it has raised many issues for study. I proposed to test some of the hypotheses of the prismatic theory to try to understand why one pocket of effectiveness (Kosovo Customs) exists in Kosovo and what the implications are for institution building.

### 8.12.3 Chapter Three: Methodology

In this chapter, I put forward my justification for studying two public revenue organisations in a post-conflict context in Kosovo. I proposed that such a study would contribute to knowledge by filling a gap in research that tests important hypotheses of comparative public administration in a post-conflict context using a historical institutionalist approach. I also presented the proposed methods and research design.

Comparative public administration studies generally rely on regression analyses to try to determine the impact of various factors on a certain variable. I decided to pursue a different path and try to understand more deeply what affected institution building in post-war Kosovo. This research project was based on a case study design. I employed a combined comparative and evaluatory strategy. This was beneficial for answering questions such as those related to the impact of the international institution building in each institution. The comparative case study technique is the most suitable to test the hypotheses of this research and answer the research questions. The comparative case study handles each case holistically, allowing the investigator to examine the different aspects of the case (Yin, 2009, p. 8). It allowed me to use several instruments such as interviews and document reviews (Matthews and Ross, 2010, p. 128) to define the factors which influence the efficacy of the Kosovo Tax Administration and the Kosovo Customs. These two organisations were formed and operate in the same context, and have similar functions (they are both revenue organisations), and by using a comparative case study I was able to distinguish the reasons for the disparities in efficacy between the two institutions. The comparative case study method not only allowed me to investigate both the institutions and use records and interviews with institutional insiders, but, by treating each institution as a “case” in an all-inclusive manner, it allowed me to gain insights from institutional

outsiders as well. Thus, I was not restricted to using only a certain type of data, or techniques, but I was able to use numerous types of data, data collection techniques and sources, by treating each “case” as multidimensional, addressing the many dimensions, and comparing and contrasting the cases.

#### 8.12.4 Chapter Four: Contextual background of Kosovo

In this chapter I brought background information on Kosovo, including socio-economic and developmental data, as well as the two institutions that I study. Additionally, I offered a brief summary of the modern-day history of Kosovo, containing an outlining of the changes since the fall of communism in 1989, and leading up to the armed conflict of 1998-1999. Lastly, I described briefly the progression of post-conflict institution building by the international community from 1999.

I also paid attention concisely to the discourse ordinarily used when talking about Kosovo. Ethnic struggle has been the principal prism through which Kosovo and the Balkan region have been viewed in both academic and public discourse. I delivered a summary of alternative explanations for the situation in the Balkans particularly with regard to state building and ethnic nationalism. I proposed that in order to comprehend the conflicts in the Balkans, it is better to reflect on them in terms of the failure of Yugoslavia to build a successful state.

I presented numerous demographic and socio-economic indicators of Kosovan society. Additionally, I showed where Kosovo ranks internationally in terms of human development, and perceptions of corruption. I included an outline of the development of underdevelopment in Kosovo within the context of Yugoslavia. Before the war, Kosovo went through a decade of apartheid under the Milosevic regime from 1989. Prior to that, it was a federal unit of Yugoslavia. Although it experienced relative economic growth and modernization during the communist Yugoslav period (1945-1989), it remained the most underdeveloped unit in the federation. The apartheid system in the 1990s and the war at the end of that decade dealt a severe blow to the socio-economic situation in Kosovo. And this impacted the post-war state building efforts.

Finally I talked about institution building, including in the Kosovo Customs (KC) and Tax Administration of Kosovo (TAK). The Kosovo Customs was founded by UNMIK in 1999 and handed over to national authorities in 2008, several months after the declaration of independence. It was the first Kosovan institution created by UNMIK and the last one to be given over to Kosovan authorities. The ICO sustained responsibility for major decisions concerning the Kosovo Customs until 2012. Furthermore, EULEX comprised a section dealing with Customs, mainly in an advisory capacity. The Tax Administration of Kosovo (TAK) was formed by UNMIK in 2000 and was handed over to Kosovan authorities in 2003, five years prior to the declaration of independence. It was one of the first institutions to be handed over to the mandate of Kosovan authorities, although UNMIK had veto powers over key decisions regarding it. Finally, the ICO assumed such veto powers for major decisions regarding TAK from 2008 until 2012.

#### 8.12.5 Chapter Five: Secondary data analysis and triangulation with interviews

In this chapter I delivered an examination of qualitative and quantitative data drawn from interviews and from the Tax Administration and Customs Service. I provided a comparison between the two organisations and analyses of data concerning each organisation. Likewise, I incorporated insights and quotes from interviews with the aim of triangulating to better comprehend the numerical data delivered by the organisations. For similar aims I also included observations from the field. In this chapter I found that the TAK was less efficient and effective than KC. I proposed that this was due to extensive political interference in TAK.

In *Table 6* I offered data on the effectiveness and efficiency of both organisations. I showed that the Tax Administration has a larger number of staff; however it gathers a smaller amount of revenue. The volume of revenue (excluding pension contributions) that TAK collects per staff member is 494,177.86 Euros, while KC gathers 1,394,831.03 Euros per staff member. Thus, a customs officer collects nearly three times as much revenue as a tax officer. Likewise in terms of expenses, KC is more efficient. It expends 1.15 Euros to collect 100 Euros. TAK, on the other hand, spends 1.82 Euros to collect 100 Euros, an amount which includes both tax revenue and pension contributions. Unmistakably, the

Kosovo Customs is more efficient than the Tax Administration of Kosovo. In order to understand discrepancies I looked at secondary data on human resource management and development. I found inefficient and corrupt practices in TAK due to political interference. My conversations in interviews and informal meetings largely confirmed the situation shown from secondary data, i.e. that there has been disproportionate political interference in TAK, and that KC is witnessing an intensification of political interference after its handover to local authorities in 2012.

In this chapter I looked at four hypotheses that I had derived from the literature review. They were: Higher level of autonomy from political interference leads to more efficiency in an organisation; Higher level of meritocracy leads to more efficiency in an organisation; The more formalistic an organisation is the less efficient it is; The more mimetic an organisation is the less efficient it is. The secondary data and interviews confirmed all four of the hypotheses.

#### 8.12.6 Chapter Six: Findings from interviews

In this chapter I presented findings on prismatic behaviour in the Tax Administration of Kosovo (TAK) and the Kosovo Customs (KC) based on interviews. It integrated direct quotes and my interpretation of interview responses. I conducted the interviews during the period of April/May 2014, with numerous additional interviews and follow up meetings with key informants taking place in June, July and November 2014, as well as April and May 2015. I interviewed 20 respondents, with six of them being outsiders, observers or analysts not employed in the TAK or KC and fourteen employees of TAK and KC. I found that prismatic behaviour is much more prevalent in TAK compared to KC. I suggested that this was due to the fact that KC was insulated from societal and political networks by the UNMIK administration in Kosovo.

I investigated my findings first by pinpointing where respondents talk about instances of prismatic behaviour. Firstly, I made a list of instances of prismatic behaviour stated by respondents. Then, I clustered kinds of prismatic behaviour into several themes that arise from interviews. I identified five key themes from this list: corruption, performance management, procedures, which include aspects of service provision and contact with

service users as well as implementation of procedures, recruitment and strategic management.

After having created, based on interviews, the list of examples of prismatic behaviour in TAK, KC, Kosovan civil service and politics, I drew a Venn diagram to see how a sample of them relate to Riggs' claims. He outlines four aspects of prismatic bureaucracy that require special attention. Namely, low salaries and overstaffing, over-rights and under-rights (the informal relationships between superiors and subordinates), bureaucratic recruitment (appointments based on considerations of power and financial position), and centralization (Riggs, 1964, p. 293).

This chapter was organised around these four aspects of prismatic bureaucracy that Riggs identifies. I have included a section for each aspect. Further, I have written separate sections for the overlapping areas of the four aspects of prismatic bureaucracy. I have also written an initial section on political interference, as it is an overarching theme. This was followed by a section on how political interference overlaps with the Riggs' four aspects of prismatic bureaucracy.

I found that there is undue political influence over institutions. Its levels oscillate and differ from institution to institution. And, knowing that the two institutions in my case study (Kosovo Customs and Tax Administration of Kosovo) exist within this context, it is expected that they will at least be partly exposed to such political stresses. From my interviews, I have found that political interference is more evident in TAK. However, I also found that there is expected to be intensification in political interference in KC. Also, there is overlap between political interference and the four other themes: low salaries and overstaffing, over-rights and under-rights, bureaucratic recruitment and centralisation. Indeed, political interference is an overarching theme that impacts all the others.

Regarding the first aspect of prismatic bureaucracy mentioned by Riggs, overstaffing and low salaries, I learned of both being evident in public institutions in Kosovo. Specifically, if we contrast the KC and TAK, we can conclude that these qualities are more typical of TAK. Overall, TAK is more associated with other public institutions in Kosovo. Alternatively, KC is seen as an outlier, where features such as overstaffing and low salaries are less prevalent. The consequences are that overstaffing and low salaries lead to

employees looking for supplementary sources of revenue. Subsequently this is seen as being often a cause of corrupt behaviour.

Afterwards, I looked at the feature of over-rights and under-rights in prismatic institutions. I learned that capacity development projects are used as bases of extra income. Further, I showed that favouritism within personnel impacts choices on who has access to such added sources of income. Also, the existence of informal relations among employees leads to neglect of duties. From the discussions it is evident that TAK shows more prismatic behaviour when compared with KC. Further, the two key themes, low salaries and overstaffing, and over-rights and under-rights overlap. The key areas where they do so are in holding of other jobs, bribe-extraction, and favouritism of tax-paying firms. Finally, there are manifestations of prismatic behaviour that are legal. For instance, the restrictions of staff to have other jobs, is limited only to certain jobs.

With regard to the third aspect of prismatic bureaucracy, bureaucratistic recruitment, I learned that it displays itself in several ways. This includes, but is not limited to, hiring of political supporters, hiring based on clique interests, nepotism, and hiring promotion based on personal and political loyalties including as well as geographic origin. I concluded that these processes are interrelated with each other as often family and regional connections go hand in hand with clique and political networks. Further, I found a greater role for political interference in recruitment than Riggs prescribes. In addition to bureaucratistic recruitment taking place chiefly in accordance with the interests of high officials within the bureaucracy, as Riggs suggests, I found that such interests are incorporated within the larger interests of political clientelistic networks.

Further, I looked at overlapping ranges of over-rights and under-rights and bureaucratistic recruitment, namely, horizontal influence in hiring, and ad hoc hiring decisions. I found, regarding horizontal networks, they exist in parallel to the informal vertical networks. In this case as well, I found evidence of a phenomenon not outlined by Riggs. While he talks about vertical unofficial relationships within organizations, it seems space is created for horizontal networks among staff.

Finally, I looked at centralisation in institutions. I learned that centralisation is mainly facilitated by an occurrence of ambiguity, particularly with respect to job descriptions.

Further, I saw that the demand for centralised organisations leads to fear of reform. Reform is described as chaotic when it takes place and is used to promote the ends of senior officials to increase their authority. In addition I learned that bureaucratic recruitment overlaps with centralisation, mainly in the lack of clarity in expectations. This ambiguity enables centralisation as well as the performance of over-rights and under-rights.

#### 8.12.7 Chapter Seven: Discussion

My analysis of the data vis-à-vis the theory indicates that Riggs' theory of prismatic administration was helpful in identifying key issues in my research. Other authors have focused on similar theoretical concepts of transition from tradition to modernity when trying to understand dysfunction in public administration in transforming countries (Besley and McLaren, 1993, pp. 121–122). Riggs' theory is a useful investigative device to grasp the complex relationships and factors that lead to dysfunction in a transitional context. This includes the post-war state-building context and specifically Kosovo where I did my research. Differently from what Riggs prescribes, I found much stronger political interference in bureaucracy. This led me to suggest that the context of Kosovo can be described as neo-prismatic, which I discussed in a separate chapter (Chapter Eight).

Political interference is the most challenging finding with regard to Riggs' theory and I will discuss how they relate below. Political interference in administrative institutions is an overarching theme in the research. This only testifies to the fact that effectiveness of institutions is closely related to other aspects of state building. And political interference, as I showed in the findings chapter, is enabled by both formal and informal political networks such as political parties and regionally based networks. This is problematic as interrelationships between politics and administration are seen as a significant cause of corruption in lower income countries (Huberts, 1998, p. 215). I found in my fieldwork a much stronger role for political interference in recruitment than Riggs prescribes in his theory. Whereas Riggs seems to suggest that bureaucratic recruitment takes place mainly for the interests of senior officials within the bureaucracy, I found that these interests are incorporated within the greater interests of political clientelistic networks.

With regard to the four facets of prismatic bureaucracy outlined by Riggs, the data largely

support his assertions. Riggs claims that one of the most central features of public administration in transforming countries is low salaries. This seems to be supported by other authors. Public sector salaries are most often “unfair”, amounting to sums in the tens or low hundreds of US dollars (Ferrinho et al., 2004, pp. 2–3; Siegel, 1996). Often governments deal with unemployment by hiring people in the public sector. And when they are faced with budget restrictions they opt for decreasing salaries instead of reducing staff numbers. Whereas the respondents I discussed agree on unemployment being a major cause of overstaffing in public institutions, the underlying cause is brought up as well. This is deindustrialisation, which is a process that Kosovo has gone through since the 1980s.

Riggs discusses the proliferation of education institutions leading to an outsized number of graduates who pursue employment in the public sector. The primary employment target of graduates in many countries is the public sector. A study in Indonesia in 1977 showed that 96.8 per cent of graduates picked public sector employment as their first or only preference (Simanjuntak, 1979, p. 125). Also, graduates who are interested principally in the private sector, too, desire employment in the public sector due to its prestige and opportunities to build a clientele.

Over-rights and under-rights do overlap with the aspect of low salaries and overstaffing. Chiefly they do so through holding of additional jobs, bribe-extraction through violations of legal provisions, and favouritism of tax paying firms through infringing legal provisions. Bribes have a damaging effect on efficiency and productivity. “Speed money” bribery leads to administrative delays as bureaucrats deliberately slow paperwork until a bribe is paid to them (Gould and Amaro-Reyes, 1983). Crucially, some of these exhibitions of prismatic behaviour may be legal. The restrictions of staff to hold only certain additional jobs, permits them holding other types of jobs.

Riggs discusses the lack of meritocracy in recruitment and promotion. I have found evidence of this in Kosovo, especially in TAK. Also, similar occurrences appear in a number of transforming countries. Further, centralisation is mainly enabled by a prevalence of ambiguity, specifically with regard to job descriptions. This problem is evident in other countries as well. Around 47% of Indonesian nurses and midwives did not have job descriptions. (Henderson and Tulloch, 2008, p. 11).

Grounded on the data analysis above I proposed that the first hypothesis “Higher level of autonomy from political interference leads to more efficiency in an organisation” is confirmed. There is greater political interference in TAK, which is the less efficient organisation. Compared to KC, TAK has less autonomy from political interference. The disparities in efficiency between the two organisations can be explicated to a large extent by the fact that KC was shielded from such interference by the international administrators (and later by supervisors) for a long time. TAK on the other hand was exposed to political interference very early on in its existence. This led to instability and wasteful behaviour that has impacted its ability to perform its duties effectively and efficiently. Autonomy from political interference is essential for the effectiveness and efficiency of both KC and TAK.

Based on the data on revenue and expenses, I concluded that KC is more efficient and effective than TAK. From the historical synopsis we can see that one of the main factors that led to this difference was the handover of the mandate over TAK to national authorities from UNMIK in 2003, three years after TAK’s founding. This momentous decision by the international administration led to strong political meddling within TAK that has resulted in a comparative lack of efficiency and effectiveness. This choice can be contrasted with the decision not to transfer competencies over KC to national authorities. In fact the international community reserved supervisory competencies over KC (among other areas) even after Kosovo declared independence in 2008, up until 2012. For a phase of five years after Kosovo declared independence it was the International Civilian Office (ICO) that kept supervisory and veto powers over a number of areas including security and public revenues.

Even during the ICO mandate the isolation of KC from political interference continued all the while the equivalent insulation was not extended to TAK. This took a very energetic form with ICO heads intervening directly to stop efforts to change the director of KC by the government. Therefore I proposed that there was a prolongation by ICO of the UNMIK policy of differentiation between TAK and KC and the extent of attention that was dedicated to each to ensure their maturity into efficient and effective institutions.

How significant the isolation from political interference is for each institution can be seen through the changes since late 2012 after the ICO concluded its mandate and transferred

the competencies over KC to national authorities. Shortly after that handover the director of KC was changed by the government and, furthermore, changes were made to the way future directors will be appointed offering more power to the prime minister to have a direct say in future appointments. The new KC director appointed in 2013 had a connection with the government, as he served as an advisor to the finance minister previously. There are indications that things have taken a turn for the worse in KC with the organisation becoming more susceptible to political pressure and engaging in behaviour unlike in its past, such as using data selectively to present a better picture, KC staff appearing in political campaign videos for the party in government, and strengthening informal channels and networks of authority within the organisation. These are developments that reflect those in the TAK in 2003 when national authorities took control from UNMIK.

Furthermore, I suggested that UNMIK decided that it was important to keep control over KC and not so with TAK. Handing the mandate over TAK to national authorities and not the mandate over KC was a conscious choice made by UNMIK executives. This was justified at the time by exploiting politics of the day, explicitly the request for more power by national authorities and the criticism of UNMIK for having too much power. Yet, while UNMIK decided to hand over TAK to national authorities it did not feel obliged to do so with the KC for the same reasons and under the identical political climate of criticism.

Moving on to the second hypothesis, i.e., “Higher level of meritocracy leads to more efficiency in an organisation”, I proposed that it is true too. KC is more meritocratic and more efficient related to TAK. Additionally, there are significant differences between TAK and KC. TAK officials are civil servants and are administered by the law on civil service. This is not the case with KC officials, bar a small division within the organisation. The law on customs and the customs code regulate KC.

On average KC get higher salaries than TAK. Further, KC staff also have uniforms supplied by the organisation which eliminates the cost of buying business attire for officials. Significantly, TAK has to compete with the private sector for staff, unlike KC. TAK staff can find employment as accountants or finance advisors in private companies, a possibility that most KC staff do not have. This may be a consequence of the original

employing strategies, where KC staff was not required to have a certain university background or a degree at all, while TAK staff were typically required to have an economics or finance and accounting education. Several TAK staff worked as accountants in private firms or ran their own accounting firms before beginning work at TAK.

Employment of civil servants in the post conflict period was affected by the phenomenon of adverse selection due to the policies of UNMIK and other international organisations. Wages for civil servants were low, whereas salaries for local staff at UNMIK were high. The difficulty was compounded by the large number of international organisations operating in Kosovo that offered high salaries for local staff. This interested would-be civil servants with comparatively better education and foreign language skills away from local institutions. This, in turn, led to local institutions having to hire their staff from a rather less educated and less worldly group of people.

The results on the third hypotheses regarding formalism (The more formalistic an organisation is the less efficient it is) also incline to be positive. Although it is more problematic to confirm this hypothesis, it can be supposed that TAK is more formalistic compared to KC. Informal networks of power and affinity are strong and often take priority over formal authority and rules. This results chiefly in selective usage of formal rules and regulations to suit the political and/or personal needs of senior bureaucrats and politicians in power.

I proposed that the fourth hypothesis, “the more mimetic an organisation is the less efficient it is,” is also confirmed. TAK appears more mimetic and less efficient than KC. It has more training and particularly foreign study visits. These study visits overseas to counterpart organisations are used largely to reward employees with exciting trips to foreign countries, though the formal aim is to learn how other organisations function. Thus TAK ends up mimicking many different foreign organisations.

Technical assistance missions (technical advisors) from international aid agencies are also more prevalent in TAK. They are from diverse countries such as US and Germany, thus bringing with them different administrative backgrounds that TAK has to absorb. These backgrounds of assistance missions or individual advisors are not automatically harmonious with each other and this might lead to conflicting agendas and prototypes

being promoted within the same organisation. Mimetic behaviour leads to inefficiencies and frequently creates difficulties further down the road.

Institutions are quite aware of international rankings as well, and TAK somewhat more so. The World Bank's Doing Business report is very significant. It is the most cited instance of international classifications. In addition to being used within the institution, its importance might also be an outcome of public discourse. The World Bank's Doing Business report is mentioned extensively in the media each year. Political candidates have also used it for their purposes throughout election.

### 8.13 Main conclusions

This study focused on the interaction between public institutions and the post-war transforming context. Its aim was to see what impacts the performance of public management institutions in a post-conflict transforming society. The study analysed the efficiency of public organisations through a historical institutionalist approach by looking at their historical development.

I have used Riggs' theory of prismatic society to help me frame my research in the context of Kosovo. I have found it very useful for my analytical purposes. I propose that the prismatic model can be used to help understand public administration in transforming countries. Because it focuses on social changes during the transition of societies from tradition to modernity, it is highly relevant to transforming countries. It provides us with a set of terms that help us grasp the idiosyncracies of public institutions in transforming countries.

There are several key points to be made from the data analysis. The first important point is that whereas it might be easy to predict behaviour in effective and efficient organisations, it is more difficult to do so in less effective and less efficient organisations. Efficient organisations are efficient in similar ways and inefficient organisations are inefficient each in their own way. In the Tax Administration there is more unpredictability compared to the Customs Service. Prismatic behaviour is difficult to pinpoint and to predict. Often, it is easier to define prismatic behaviour by what it is not than by what it is.

Although prismatic behaviour is difficult to pinpoint, there are some features that can be discerned. A very important feature is selectivity. This includes different types of selectivity, ranging from applying rules and regulations to choosing employees to be rewarded. This can lead to paradoxical situations, where within a formalistic organisation, although usually rules are not respected, sometimes they are applied to the letter if that serves the interests of senior managers or their political superordinates. Selectivity is very much related to the concept of discretion, which Riggs argues that prismatic bureaucrats have in greater amount.

One important other theme that emerges is that prismatic behaviour is linked to public discourse and is associated with the use of specific terms loaded with context-specific meaning. In the context of Kosovo, these terms include: systemisation – finding a job placement for someone, accommodation – finding an (appropriate) job position for someone. Usually they refer to hiring political clients or members of personal and family networks, which might be the same people, and although these terms have obtained a negative connotation due to their association with corruption and nepotism, they are used by politicians to imply positive behaviour when justifying certain hiring decisions. Such decisions are justified in terms of supporting people whom are perceived to have made specific past contributions to society, for instance either for volunteering during the war or during the 1990s period voluntary health and education system, or in terms of their current needs, namely due to the lack of any salaried income in the family, or both.

Further, it seems that inefficiency is the “affliction of others”. During the interviews with staff members of each organisation, it was not difficult to find negative opinions with regards to the efficiency of other organisations. However, it was nearly impossible to hear responses admitting inefficiency in their own organisation. This raises questions regarding the problem of self-perception of organisations and individuals within organisations.

A key point is that insulation from societal and political networks is crucial for building effective and efficient organisations. The transfer of competencies for the Custom Service over to the national authorities in 2013 lead to developments similar to those of 2003 after the transfer of competencies for the Tax Administration. This includes increased political influence and changes in organisational structure. This strongly suggests that it was

insulation from political influence that led to a more efficient Customs service.

An additional point related to international administrators is that the relationship between the international insulators/protectors and meritocratic/"non-prismatic" staff members becomes one of patronage thus resembling the prismatic behaviour they are trying to prevent and oppose. In order to survive, officials that are not part of political networks have to rely on patronage from international supervisors. This leads to the paradoxical situation of senior officials mirroring and replicating the behaviour that they aim to challenge.

A key conclusion related to the two organisations I studied is that if we compare the two we find that, in general TAK is less efficient and effective than KC. Based on the historical development of the two organisations we can conclude that what has led to this difference in efficiency and effectiveness is transfer competencies over TAK to national authorities from the international administration at an early stage of TAK's development.

One of the most striking findings of my research is the widespread and often intensive political interference in public institutions. Riggs talks about political interference in the context of the conflict between political institutions and bureaucratic institutions. He argues that political institutions in a prismatic society are weak and unable to exercise control over bureaucracy. However, I found that political interference in the bureaucracy is extensive. This may be explained by the relative development of political institutions in the communist period in Kosovo. Riggs states that even in a diffracted totalitarian system, there is political control over the bureaucracy enforced by a mass-movement political party. The inference of this finding is that in countries that have seen a relative period of diffraction, a purely prismatic context does not exist. I suggested that the societal context of these countries, such as Kosovo, can be described as neo-prismatic.

#### 8.14 Limitations

It is important to note that there are limitations to this study. In any case, I believe they do not take away from the conclusions I have proposed. As with any study, limitations are bound to exist by virtue of any particular study's inability to cover all the problems related

to its focus.

Firstly, I recognize that this dissertation is confined to a specific time. It looks at the time period between 1999 and 2015. It begins with the year that the war finished in Kosovo and international administration is established. Naturally, any inferences regarding other time periods must have this limitation in mind.

Secondly, the study is limited in space. It took place in Kosovo only, and not in other countries. Although there are similarities between Kosovo and other countries both in the post-communist region and among post-war countries, any judgement on other contexts based on this study are handicapped.

Additionally, I have only studied two organisations, TAK and KC, within Kosovo. Although I have discovered findings about the bureaucracy in general in Kosovo, I have not studied other organisations in detail. In order to understand the development of other organisations a more careful study is required.

#### 8.15 Summary

In this chapter I provided concluding observations to my dissertation. I explained the contributions of this study to knowledge. I showed why using Riggs' prismatic model is useful for understanding institutions in transforming countries. Likewise, I outlined my main contribution, which is the existence of neo-prismatic societies. I explained how neo-prismatic conditions differ from prismatic ones. Also, I showed how this model can be contrasted to the dominant management theory of NPM. Furthermore, I explained that my findings suggest that it is possible to build effective institutions in transforming countries.

Additionally, I discussed the implications of my study for theory. Then I listed a number of ideas for further research emerging from my study. Further, I summarised the implications of my findings for practice. Finally, I did a recapitulation of the key points from each chapter before moving to the main conclusions of the study and its limitations.

With regard to contributions to knowledge, I proposed that this research project has

several. The results add to scholarship on comparative public management and comparative politics. It particularly contributes to the study of post-war reconstruction, state building (nation building), institution building, post-communist transition, fragile states, failed states, conflict analysis, peace building, democratisation, societal transformation studies, international development studies, technical assistance, foreign aid, international administration and neo-patrimonialism. It also contributes to following subfields of organisational behaviour theory: national culture, organisational culture, power and politics, and leadership, especially leader-member exchange theory. My findings are relevant for the study of organisations in developing countries and emerging markets as well as international dimensions of organisational behaviour. I proposed that the key contribution is using the concept of the “neo-prismatic” society to explain the situation with institution building in Kosovo.

One of the most remarkable findings of my investigation is the widespread and frequently intensive political interference in public institutions. Whereas Riggs claims that political institutions in a prismatic society are fragile and unable to exercise control over bureaucracy, I discovered that political interference in the bureaucracy is extensive. This may be explicated by the relative development of political institutions in the communist period in Kosovo. I argued that societal diffraction fluctuates over time. This variation in the level of diffraction helps us understand the developments in Kosovo.

I proposed that we can understand the potency of political interference in bureaucracy in Kosovo if we keep in mind the comparative diffraction achieved during the communist period. The post-communist transition amounts to a phase of decline on the diffraction scale. Nonetheless, political institutions following the relative development achieved in the intervening communist period have not degraded to the point of not being capable to exercise any significant control over the bureaucracy. The power of political parties remains rather strong vis-à-vis the bureaucracy. This results in political interference in the bureaucracy that I have found in Kosovo. The repercussion of this finding is that in nations that have seen a relative period of diffraction, a purely prismatic milieu does not exist. I suggest that the societal environment of these countries, such as Kosovo, can be defined as neo-prismatic. Two other key contributions are related to the juxtaposition of the neo-prismatic model to the dominant NPM, and the important lessons in building effective institutions in transforming countries

In terms of implications, I suggested there are several lessons that can be absorbed from this study useful for the field. Firstly, efficient and effective organisations can be built in post-war and developing societies. As the case of the Kosovo Customs (KC) demonstrates, it is feasible to design and build efficacious institutions in prismatic and neoprismatic societies. The growth of KC was possible while it drew from the same pool of persons as its less efficacious counterpart (TAK) for its staff. It was turned into an efficacious administration through meritocratic recruitment and promotion and independence from political interference. If it sounds that the sole way to attain this is by imposing an international tutelage this is not so. Reform minded national and local governments could just as easily create robust institutions, if they are dedicated to change and willing to relinquish short-sighted political gains by turning organisations into turkey farms for political clients.

Secondly, I suggested that international administrations or organisations can act as insulators to help develop efficient and effective institutions. In post war environments where international organisations are responsible for administration this is an easier task. Nevertheless, even in other prismatic settings this is feasible given the pronounced influence that many aid organisations such as USAID and DFID enjoy.

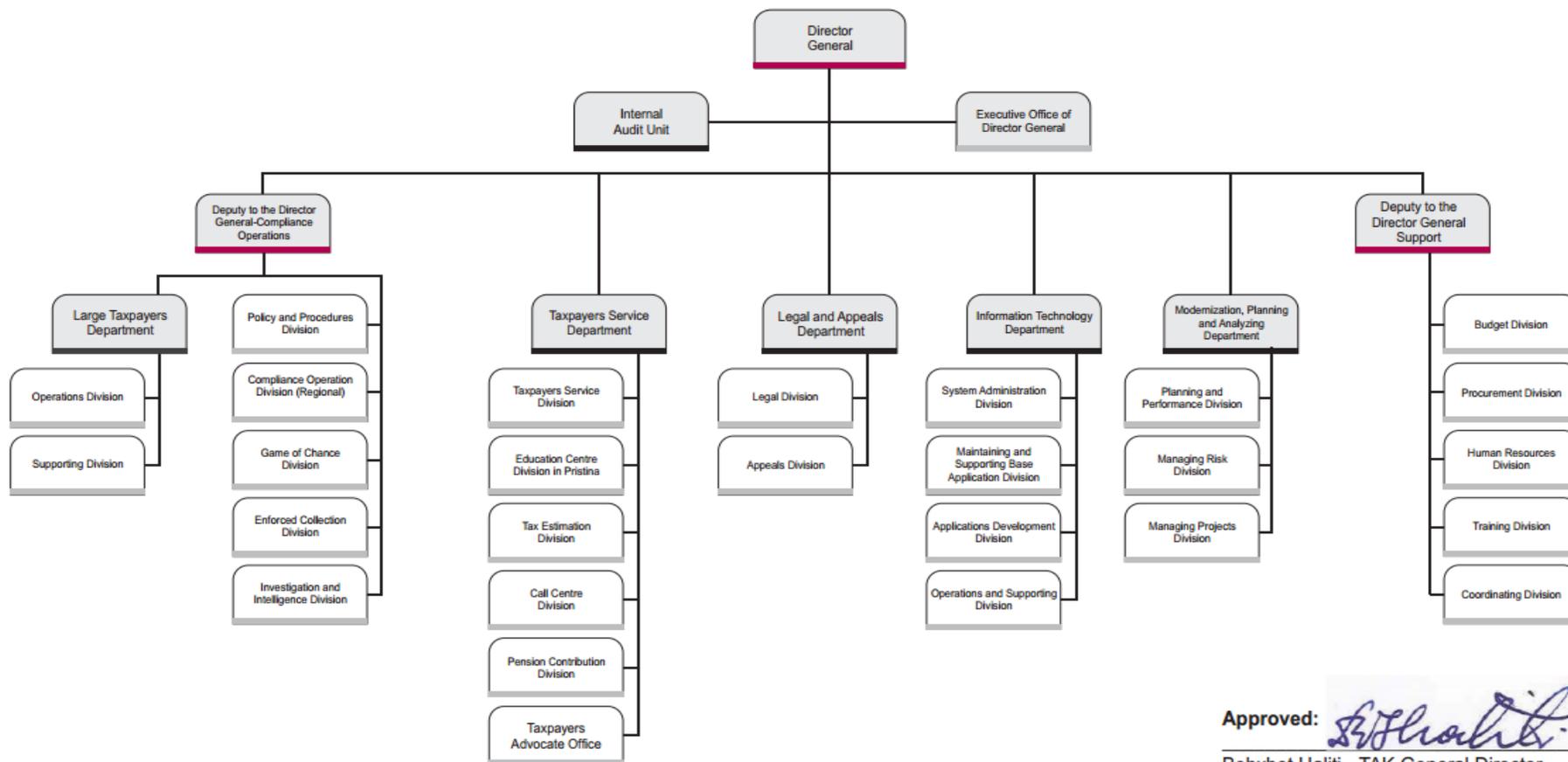
Thirdly, I suggested that international administrations and/or organisations make choices that have definite repercussions for both the institutions and society. As the case of different handling for KC and TAK shows, international organisations, make critical decisions that include which institution or policy to support.

I then summarised the key points emerging from each chapter. I devoted a section to the main conclusions of the study. And finally, I talked about the limitations of this research project.

ANNEXES

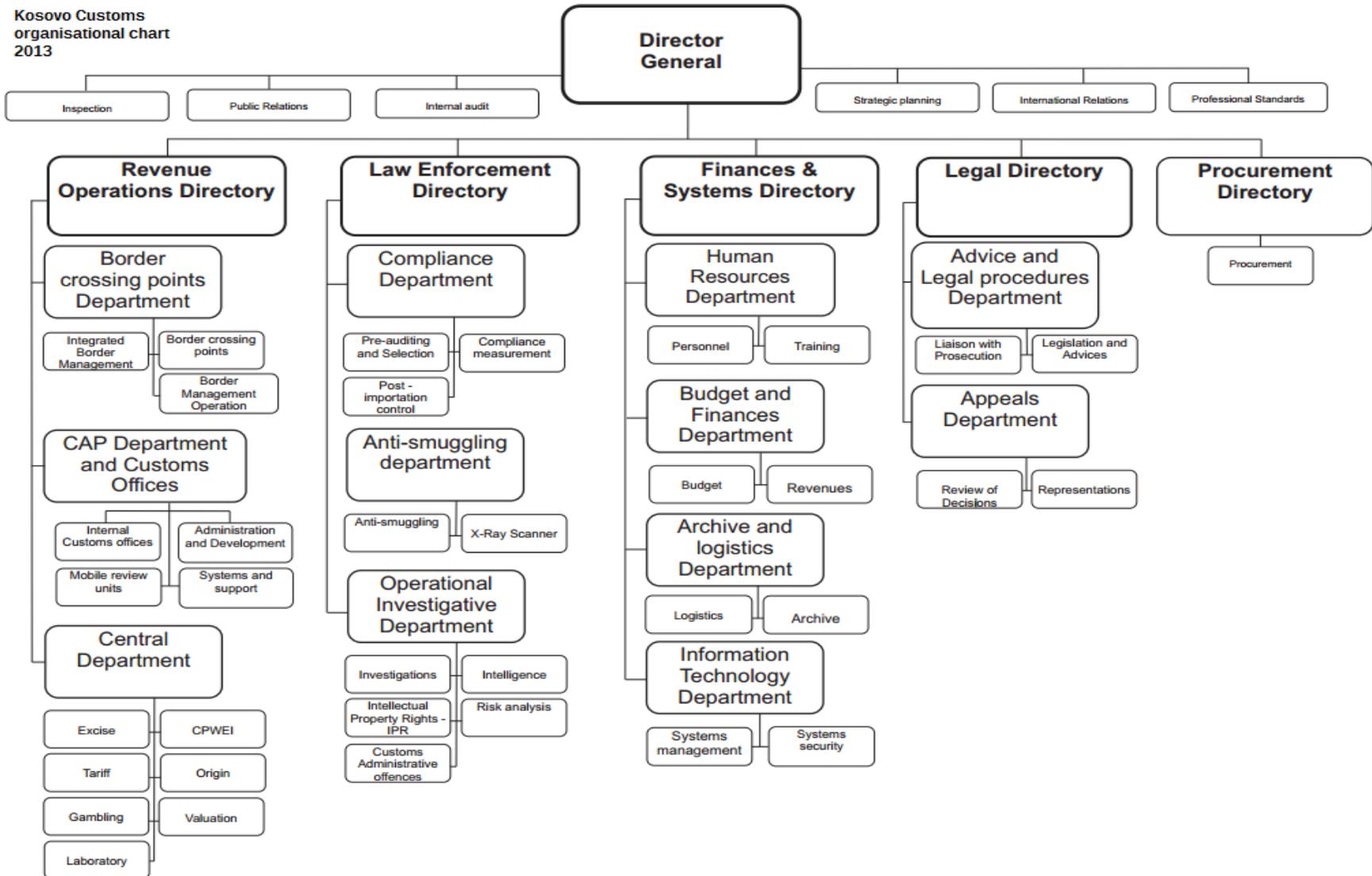
1 Annex 1: Organisational Chart of TAK

Organizational Structure of Tax Administration of Kosovo 2014



Approved:   
 Behxhet Haliti - TAK General Director,  
 Date: March 17, 2014 Pristine

2 Annex 2: Organisational Chart of KC



### 3 Annex 3: Interview protocol and guide

I interviewed the following groups of respondents: personnel of the organisations (senior management, middle management, and low level officials), outsiders (researchers, analysts, people involved in technical assistance projects with public administration). I used 'snowball' technique while aiming to interview respondents at three levels of responsibility. I have interviewed 20 respondents, 6 outsiders, and 14 institutional insiders (in TAK and KC).

Interview protocol:

P1. Type of Interview respondents

P2. Date

P3. Location

P4. Seniority of respondent (when interviewing personnel): officer, mid-level manager, senior level manager.

Introduction to the interview before beginning:

Thank interviewee for participation. Explain purpose of interview. Explain anonymity.

Interview guide:

Can you tell me about your job and how you came to be in it?

Follow up for staff: Official position?

How did your appointment process go? What criteria were used?

Generally do you feel that the staff is competent and deserves to hold their current job position?

Generally do you feel that hiring is based on merit?

Generally do you feel that promotion is based on merit?

What kind of performance review system in place? What are your experiences of performance review?

Follow up question for staff: Could you tell me any examples?

What rules and procedures affect your job? Do people check that you follow them?

Do you think that the existing formal rules and procedures are respected?

Have there been any initiatives to improve how the organisation works? What happened?  
What do you think of them?

Follow up question for staff: Could you tell me any examples?

Does the organisation train staff? How? What is your opinion of the initiatives?

Follow up question for staff: Can you tell me of a specific activity and how you benefitted from it?

Can you explain your understanding/definition of efficiency and effectiveness in public management?

Do you think public administration organisations in Kosovo are generally efficient and effective?

Follow up: Why do you think they are or are not so?

Do you know there are international rankings of public administration? Does it affect your job? What do you think of them?

Follow up question for staff: Could you tell me any examples of an international index that impacted the organisation?

Can you say a few words about the relationship between politics and public administration in Kosovo?

Do you think there is political interference in the organisation? What forms does it take?

Note: Organisation can be Tax Administration of Kosovo (TAK) or Kosovo Customs (KC)

4 Annex 4: List of respondents

List of respondents	
Number	Role/Seniority
Respondent 1	Former Senior Manager KC
Respondent 2	Analyst 1
Respondent 3	Senior Manager 1 TAK
Respondent 4	Analyst 2
Respondent 5	Middle Manager 1 TAK
Respondent 6	Senior Manager 2 TAK
Respondent 7	Analyst 3
Respondent 8	Senior Manager 3 KC
Respondent 9	Middle Manager 2 KC
Respondent 10	Senior Manager 4 KC
Respondent 11	Senior Manager 5 TAK
Respondent 12	Analyst 4
Respondent 13	Low level officer 1 KC
Respondent 14	Low level officer 2 KC
Respondent 15	Low level officer 3 KC
Respondent 16	Analyst 5
Respondent 17	Analyst 6
Respondent 18	Middle Manager 3 KC
Respondent 19	Senior Manager 6 KC
Respondent 20	Low level officer 4 TAK

## 5 Annex 5: Questions sent to organisations

Questions and requests for data sent to organisations		
Question/request	Answered	
	TAK	KC
<b>The composition of staff</b>		
Ethnicity	Yes	Yes
Gender	Yes	Yes
Religious background	Yes	Yes
Geographical origin (municipal)	No	No
Education (level of education, now and when they are employed, including the number of people who are continuing studies now)	Yes	Yes
The number of staff that is employed by year	Yes	Yes
The number of staff who has left (for whatever reason) by year	Yes	Yes
Other analysis of the composition of the staff	Yes	Yes
<b>Trainings</b>		
Number of training (within the organization and outside, e.g. in KIPA)	Yes	Yes
Total number of days of training (within the organization and within the country eg in KIPA)	Yes	Yes
Number of people trained (within the organization and within the country, e.g. in KIPA)	Yes	Yes
Number of training sessions abroad	Yes	Yes
Number of days of training abroad	Yes	Yes
Number of study visits abroad	Yes	Yes
Number of days on visits abroad	Yes	Yes
The number of trainers	Yes	Yes
The number of mentoring programs	No	Yes
Number of days of mentoring	No	No
<b>Ranks and salaries</b>		
The grading system (old and new)	No	No
Salaries for each grade	No	No
Benefits (now or in the past) and amounts obtained by Year	Partial	No
Per diems (what is available and how much they are obtained?)	Partial	No
<b>Technical Support</b>		
The number of technical assistance programs from abroad (USAID etc.)	No	No
The number of foreign advisers	No	No
Project budgets	No	No
<b>Services</b>		
Number of contacts with users of services	No	No
The total number of users of services	No	No
<b>Documents</b>		
The number of statutes and internal regulations	No	No
Statutes and regulations	No	No
Performance evaluation forms (as an example)	No	No
The job description for staff - level: low, middle and senior (as an example)	No	No

## GLOSSARY

AAK – Alliance for the Future of Kosovo

AKR – Alliance New Kosovo

DFID – Department for International Development (UK)

FARDUK – Fund for the Development of the Under-developed Republics

FRY – Federal Republic of Yugoslavia (Successor of Socialist Federal Republic of Yugoslavia)

KC – Kosovo Customs

KFOR – Kosovo Force

KLA – Kosovo Liberation Army

LDK – Democratic League of Kosovo

ICO – International Civilian Office

MEF – Ministry of Economy and Finance

PISG – Provisional Institutions of Self-Government

PDK – Democratic Party of Kosovo

TAK – Tax Administration of Kosovo

UNMIK – United Nations Interim Administration Mission in Kosovo

USAID – United States Agency for International Development

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