

# ASSESSMENT OF MUNICIPALITIES' PERFORMANCES IN SLOVENIA

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## Abstract

Due to the ongoing public administration reform process in Slovenia, different models for assessing performance of different levels of public administration, including municipalities, are introduced. However, no stable and systematically model, that could be used for systematic evaluation of municipalities performance was developed so far. Due to this reason, the evaluation model called ALENKA was developed. Results are showing that municipalities with different backgrounds can be compared and ranked according to their performance on the basis of this model.

**Keywords:** Slovenia, assessment model, municipalities, ALENKA, performance measurement, reforms.



## 1. Introduction

Economic crisis demands more rigorous assessment of performance of public administration at all levels. According to the New Public Management approach, two of the main important elements are effectiveness and efficiency. To assess the effectiveness and efficiency of the organization and its outcomes, it is necessary to monitor its performance (de Waal and Gerrisen-Medema, 2006, p. 26). In addition, it is also useful to monitor the performance and/or improvement of the flexibility of the organization. Performance monitoring is a prerequisite of each evaluation and critical element of the introduction of changes in the performance in public and state administration (Žurga, 2002, p. 101). On the other hand, it is also true that what is measured, it is carried out. If one does not measure results (Osborne and Gaebler, 1993, pp. 146-147), it cannot separate success from failure. It happens that the budget is reduced for certain programs, because decision makers do not know the objective information, on the other hand, some of them are not interested, because they work only on the basis of party interests (Osborne and Gaebler, 1993, pp. 146-147; see also NSMFC, 2006, pp. 1-2). Success that is not seen cannot be rewarded or otherwise. If success is not rewarded, we are rewarding failure. Rewarding success may seem obvious, but in practice it is often not implemented. If we do not see success, the organization cannot learn (Osborne and Gaebler, 1993, pp. 148-145; Žurga, 2002, p. 101). Organizations cannot learn from their mistakes, if those mistakes are not previously identified (Osborne and Gaebler, 1993, pp. 148-145).

In light of the importance of evaluation as an essential element, particular emphasis is placed on results, productivity and efficiency (Haubrich and McLean, 2006; de Waal and Gerritsen-Medema, 2006; Greve, 2003). It concerns the knowledge of the effects and process efficiency, which is in contrast to traditional approaches in public administration and underlines the importance of the operation of each office as a whole and also of each individual. By setting an evaluation the problem of measuring values occurs (and thus the public interest) since values in public activity are not always possible to identify and measure (Bučar, 1981, p. 405; Kustec Lipicer, 2007, pp. 201-202; Klimovský, 2010). In addition, there are several types of participants in public administration, which do not accept uniform criteria, even if such a single criterion can be designed. Assessment of administrative action is largely in the area of rhetoric and interest of those who estimate benefits and have access to social power to force their interpretation as acceptable (Bučar, 1981, p. 405). Padovani, Yetano and Levy Orelly (2010, pp. 601) offer a similar argument while stating that there is significant difference between demands and practices in the field of public administration efficiency and effectiveness in Italy and Spain.

In the business world as well as in the public sector various models and standards based on specific criteria and methodological tools measure and value the quality, effectiveness, efficiency and excellence. European administrative space operates within the *acquis communautaire*. The so called informal EU *acquis* was also created in the form of minimum standards that are required for the effective implementation of the

*acquis* (Kovač, 2003). On this basis, several governmental strategies were enforced (Government of the Republic of Slovenia, 2003; 2005) in which, as a methodological tool for evaluating the quality, efficiency and excellence following standards occur: ISO – The International Standards Organization, EFQM – European Foundation for Quality Management and the CAF - Common Assessment Framework. Around the world, different other models were created and implemented for the evaluation of local government performance (Padovani, Yetano and Levy Orelly, 2010; de Waal and Ferritsen-Medema, 2006; Haubrich and McLean, 2006)

However, it is necessary to pay special attention to the selection of a model, which assesses the functioning of the organization; the process does not end with the results. After evaluation it is necessary to examine the results and find possible solutions to correct deficiencies. It should also be noted that there are certain shortcomings in the criteria due to specific characteristics like administrative units and municipalities, particularly in the field of benchmarking and their own feasibility which can be avoided in other parts of public government. The reason mainly lies in differences in size and population of the territory covered by the number of employees and scope of work, which also affects various aspects of management and organization of work. At the implementation of measurements, providing anonymity can be a problem (employees are familiar with each other, so their opinions are known in advance, and thus the results). At this point, we need to provide a standardized model that will exclude any interference from civil servants that could make results questionable as it can be the case with questionnaires (Pinterič, 2009). Organizational forms should be addressed as more comprehensive and complex.

As a post-communist country, Slovenia has faced the need for serious reforms of the political system at all levels. However, Slovenia still lacks clear performance results, despite the fact that some researches were conducted previously. The project for the development of a model for complete analysis of municipal performances started in 2009. Analysis of local economics, normative and human resource activities<sup>1</sup> (hereafter ALENKA) supports the idea that a specific model can be developed and it will help us not only to assess performance of individual municipalities but to rank them according to their performance as well. Despite the fact that the model is introducing three different aspects (economic, normative and human resource), a normative part is included only indirectly - the assumption is that economic and human resource activities are supported by necessary local acts.

## **2. The model**

The basic principle of the model ALENKA is the recognition of four main categories that influence overall performance and level of development in certain municipalities. The main factors, providing positive development results are human resources

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1 In Slovenian the name is *Analiza Lokalnih Ekonomskih Normativnih in Kadrovskih Aktivnosti* – short ALENKA

(KK), economics (G), infrastructure development (IR) and development orientation of municipalities (RN) (Pandiloska Jurak, 2010). Any organization needs to have competent, educated and skilled people in the first place, who are able to handle municipal economy and finances in appropriate manner. If competent people are able to manage finances and properties in an appropriate manner, they will be able to develop and maintain the necessary infrastructure that will on the long run again increase budgetary revenues of municipalities. Finally, if the previously mentioned three conditions are developed in a positive manner, the municipality will be able to realize something we named development orientation, that can be seen as openness towards opportunities for development, that are sometimes in opposition to what we know under normal incremental change in certain issues. According to previous ranking of categories, each category got arbitrary ponders. Sum of ponders compose together 100% (1) of overall performance.

Overall performance of municipalities is composed of the following (Pandiloska Jurak, 2010):

$$0.35 * KK + 0.30 * G + 0.20 * IR + 0.15 * RN$$

Each of the categories has a set of indicators directly or indirectly influencing one of the mentioned categories. Within each category the most important indicators are:

a. Indicators that determine a set of personnel quality:

- The percentage of the number of employees in the municipal government in terms of population with permanent address in the municipality will show the relative information that can also be compared among municipalities.
- Financial compensation in a current year depending on the number of people with permanent address in the municipality will show what amount of funds per citizen the municipality needs and the extent necessary for the implementation of its main tasks\*.
- Total surplus (deficit) (total revenue - total expenses) and balances on 31<sup>st</sup> of December of the past year in the municipality in terms of population with permanent address in the municipality. The result will show how the changing situation on account of the number of residents. Information will be particularly important for temporal analysis of the municipalities' operation.
- The percentage of funds received from the state budget on the European Union Budget basis and received funding from the European Union in terms of total revenues will tell us how successful the applications were in tendering state departments and agencies, financed by the European Union and how successful municipalities were at applications to European Union calls.

b. Indicators that determine a set of management include:

- The relationship between municipality area per capita and the whole country per capita, we will show the relative size of the municipality according to the size of the state, which will also allow comparability between municipalities.
- The percentage of employees' wages and other expenses in relation to all expenditures in the municipality\*, \*\*.

- The percentage of financial compensation in the current year in relation to any income in the municipality together\*, \*\*.
- The percentage of tax revenue from all revenues in the municipality together.
- The percentage of transfers to individuals and households in relation to the total expenditures in the municipality \*\*.
- The percentage of transfers to non-profit organizations and institutions in relation to all expenditures in the municipality together \*\*.
- The percentage of expenditures for office and general supplies and services in relation to all expenditures in the municipality together\*, \*\*.
- The percentage of expenditures for special materials and services in relation to all expenditures in the municipality together\*, \*\*.
- The percentage of expenditures for transportation costs and service in relation to all expenditures in the municipality together\*, \*\*.
- The percentage of expenditures for missions in relation to all expenditures in the municipality together\*, \*\*.

c. Indicators that determine a set of infrastructure development are:

- The relationship between the length of municipal roads (local roads and public roads) per capita in each municipality and the length of municipal roads (local roads and public roads) per capita in the entire country; the relative results will allow comparability between municipalities, and determine infrastructure development of the municipality.
- Percentage of primary schools in the municipality in relation to the number of municipal population (in age range 6-14) and number of primary schools in Slovenia in relation to the number of state population (in age range 6-14)\*.
- The percentage of subsidies to private companies and private individuals in relation to all expenditures in the municipality together \*\*\*.

d. Indicators that determine a set of developmental orientation are:

- Percentage of financial compensation reduction in the current financial year as compared to the previous year will show whether the municipality received more funding on its own (has been collected more taxes than the previous year), which directly reflects the development of the municipality. Municipalities that do not receive financial compensations were allocated 100 percent.
- The percentage of investment expenditure in relation to the total expenditures in the municipality \*\*\*.
- The percentage of capital expenditures in the municipality in relation to current expenditures in the municipality together.
- The percentage of investment in light of the current investment expenditure of the previous year. A negative sign means a decrease in comparison with previous year \*\*\*.

- Reduction of the rate of registered unemployment (unemployment in January each year - unemployment in December each year).
- Subsidies to private companies and private individuals in relation to all expenditures in the municipality together \*\*\*.
- Received funding from the European Union, will give us information only on whether the municipality received funding or not.

\* Indicators where higher value is less desired were changed by adding negative value.

\*\* Indicators will show how much the municipality spends for its own needs and operations.

\*\*\* Indicators will show, to what extent municipalities contribute to the development of their own territory.

### **3. Limitations of the model**

As any model, ALENKA has certain limitations. First criticism can be directed towards the set of indicators we used. However, statistical analysis shows that these indicators are enabling us to group municipalities in certain stable categories that can be logically explained.

The second limitation of the model is the arbitrary set of ponderers. We are refusing them in the already indicated way. Overall quality is unity and therefore it has value 1 in opposition to no quality at all that shall be marked as 0. Each of the four criteria can add up to 0.25 if all criteria are equally important. NPM logic shows that that appropriate number of competent civil servants will be able to solve different issues, even with lack of finances or other resources (Osborne and Geabler, 1993). On the other hand, there is no infrastructure development without resources that shall be well managed (and that can be done only by qualified civil servants). We expect criticism why development orientation of municipality is so underestimated. It is expected that if there is no basic infrastructure, no finances and no competent experts, it is hard to change some strategic document into further circle of development.

Next question that can rise at any time is – are municipalities comparable at all based on this model? Answer is yes and no. Yes because all municipalities are classified according to the same methodology, using the same data and the same method of calculation. However, municipalities are certainly not absolutely comparable due to different limitations which were not taken into account. First, it is inappropriate to say that in reality municipality established in 1993 can be compared to the ones established in 2006. Anyway, results show that in some cases new municipalities are performing much better than the old ones. Second, the number of employees as well as the geographic and demographic reality can significantly limit or enhance socio-economic conditions of development. And finally, it is of utmost importance that we are aware that no matter how strongly ideological, political, familial or other private interests influence local development outcomes, we are not able to incorporate them in the system of indicators. It means that we are fully ignoring reasons such as political blockades in municipal councils. We are only interested in final results of municipal development performance.

#### 4. Are indicators relevant?

As we mentioned before, one of the main criticisms of the model can be the set of indicators we used in the model. Relevance of the indicators can be shown very well by trying to rank all the municipalities in different categories according to all used indicators. We tried to group municipalities that are most similar within the group and on the other hand most different between groups on the basis of Euclidean distance and then we used a dendrogram as a hierarchical method of clustering on the basis of the ward's method for assigning individual units to groups (of municipalities in our case).

The dendrogram (see Figure 1 in Appendix 1) at first shows, that we have three groups of municipalities. But we get a more accurate picture if we take one case from the lower part of the dendrogram, an individual municipality. The analysis of municipalities joined into four clusters shows an interesting picture connected to the role that municipalities have within Slovenia.

The list of municipalities within the smallest two clusters is composed as follows:

- Cluster one: Ljubljana;
- Cluster two: Maribor, Koper, Kranj, Celje, Piran, Ptuj, Krško, Novo mesto, Velenja, Nova Gorica;
- Cluster three: composed out of 79 municipalities; and
- Cluster four: composed out of 120 municipalities.

Concerning general knowledge on Slovenian municipalities, we can argue that they are not organized in clusters by any individual expected criteria such as population, budget, or number of civil servants. Despite the fact that a mixture of different indicators was used, there is still one main characteristic that applies to all clusters. According to how the clusters are shaped, it is obvious that Slovenian municipalities have a special pattern of behavior.

Ljubljana can be seen as part of cluster two but we prefer to keep it as suggested by dendrogram – as an individual case. Ljubljana is the most populated municipality, with the biggest administration, the biggest budget; it is capital city and has special position.

However, Ljubljana is still not so different from the municipalities in the second cluster. These municipalities have some differences and also they have many common points. They are all regional centers relatively well spread around Slovenia (excluding Koroška and Pomurska statistical region). Next to this, it is interesting that in Ljubljana and first five municipalities in the second cluster (as written above) mayors are strong personalities, usually with vision and officially relatively unconnected to the major political parties (with the exception of Maribor). They can be described as mayor-managers, that were, despite different political and legal obstacles, able to develop their municipalities faster and more intense than other municipalities in the second cluster. Another five municipalities in second cluster are run by mayors that are more attached to the party politics. We can indicate that Ljubljana, Koper, Celje, in

the analyzed mandate, Piran, (Kranj can be understood as a smaller exception) are municipalities that made greater development supported by respective municipal authorities, compared to previous electoral terms. On the other hand, development in municipalities such as Krško, Novo mesto, Velenje or Nova Gorica was achieved but was much more moderate and incremental, due to, stronger political opposition and deliberative political processes in the respective municipalities.

The third cluster of municipalities is composed of something that can be called local centers or regional sub-centers. Listing individual municipalities from first two clusters towards forth one clearly indicates that bigger (concerning population, number of civil servants, area, size of budget etc.) municipalities are closer to the second cluster than those who are smaller. The typical case is municipality of Slovenj Gradec, that is the first municipality in the third cluster and closest to the second cluster, which is regional center of Koroška statistical region. Knowing daily migrations in that area we can argue that its position as regional center was took over by Velenje municipality and partly even by Maribor, due to their economic opportunities. This can be seen in other cases as well or even more evident. In cases where there is no strong regional center around, this role can be took over even by some relatively weak municipality (most typical case can be municipality Komen, that is within the third cluster despite it is a small and weak municipality, but stronger centers are far enough that Komen developed as (limited) center). The fourth cluster of municipalities is composed of peripheral municipalities. In most cases, we are talking about small, relatively rural and economically weak municipalities, usually with social instability such as low quality of life, low average income, high rate of depopulation etc. One can also be interested in cases that are nothing of aforementioned, but still they were moved to this category. Such typical municipalities are Trzin, Šenčur, Vipava, Naklo, and Mengeš. These municipalities are economically strong, they have industry, relatively high numbers of citizens, are well developed in infrastructure, have usually relatively high budgetary revenues, relatively high net salaries, they are even among municipalities with high population growth rates. So what happened? There is a simple explanation by understanding centric development. Trzin and Mengeš are between Ljubljana (capital) Domžale and Kamnik (regional centers from the third cluster), and their role compared to these municipalities is simply smaller. They are residential municipalities for two sub regional economic centers and for the capital. Šenčur and Naklo are both border municipalities to regional center Kranj and are both captured between two much stronger sub-regional centers.

According to these cases we can argue that strong centers are eliminating weaker ones and are able to hold them down to the level that they can become part of the periphery, no matter if performance of such municipalities individually can be assessed as positive and progressive.

If we try to separate municipalities from the lowest level of the dendrogram, meaning at the level where municipalities are most similar to each other (but where

differences between groups are still not significant enough), we are able to define three sub-clusters in fourth cluster. Peripheral municipalities can be divided into three different categories, third cluster can be divided into four sub-clusters of sub-regional centers, and second cluster can be divided into two sub-clusters and two additional individual cases. This can be only relevant in third cluster of sub-regional centers, due to some logical listing of municipalities, where it is obvious that each sub-cluster of sub-regional centers has weaker position in developmental sense.

Despite this, the dendrogram shows an interesting clustering of municipalities in Slovenia in four groups. We have to explicitly warn, that this method tells us absolutely nothing about municipal administrative performance in one or more of the aforementioned category. This set of municipal clusters only tells us that using a selected list of indicators enables us to create groups of municipalities of certain levels of importance, which can be recognized as a relatively logical and plausible system. However, this is a good start to say, that we are using relevant indicators that will give significant results at using ALENKA.

Previously we were talking about municipalities clustering on the basis of indicators that we used for the survey. In the second case we wanted to see what is going on with our indicators. And we found out that we can indicate three sets of indicators, the first one can be called budgetary management and it is covering information on revenues, expenses and deficit/surplus. Second cluster of indicators is covering social transfers and investments and we can call this cluster development orientation, due to the fact that information on this value will mainly tell us if a municipality is a strong investor into development or it is trying to improve the quality of life by transferring the budgetary money for improving social and societal situation in municipalities. The vast majority of indicators are loosely connected to the third cluster which can be understood as overall performance. From this point on we could start the factor analysis but due to the fact that our intention is not to define factors influencing the performance of municipalities we will conclude that three main factors can be defined. They can be called budgetary management, development orientation, and general performance. It seems that clustering joint our two sets of indicators on human resources and on infrastructure development into general performance, and changed possible understanding of financial management and development orientation.

## **5. How variables correlate**

For a better understanding of the relevance of different variables we used two different methods (clustering and correlations) for understanding the relations among them (variables). With the dendrogram we got three different sets of variables that gave us three main groups. First group of variables were budgetary revenues, expenses and information on deficit. Second group of variables included information on the extent of social transfers and investments. Third group of variables included all

other considered variables. Such pattern suggests that our variables are indicating the condition of local budget, the general development of municipality (developing or serving municipality). The fourth category can be named as everything else or overall performance. However, it seems that due to messy third group of indicators we can hardly see these groups really useful in explaining the situation, so we decided to simply find out which and how different variables are correlating. Due to huge number of different bivariate correlations that appeared statistically significant we are presenting just few of them that seem to be controversial or important. Due to this reason we can only comment on why we got the results as we did. In the first place we can say that the number of civil servants in the municipality is almost 100% in correlation with the number of inhabitants. It is interesting that we can with 99% statistical probability argue that the number of employees is positive connected to the budgetary deficit; meaning that the more employees municipality have, the higher the deficit will be. At the same time a high share of employees will also raise the state financial support for the municipality (but the correlation between these two elements is relatively weak despite being significant). European funds are statistically significant better attracted in municipalities with higher number of civil servants. As expected, municipalities with higher revenues have lower deficit. Same picture can be seen as well in the case of salaries of civil servants and in the case of budgetary expenditures. Due to this we can say that municipalities with bigger budgets will handle more easily their financial demands without harming the budgetary balance. Municipalities are trying to save money on their material expenses in the case of budgetary deficit and even more so they are reducing social transfers to individuals as well as to NGOs. Same picture can be seen in the case of investments and at current expenses. One can conclude that only municipalities with sound budgets will be able to develop and maintain social security within the municipality.

General picture shows that bigger municipalities (in terms of number of civil servants and citizens) are more able to manage their budgetary situation. And municipalities with better budgetary performance are much more able to attract European funds on one hand and on the other hand they are much better in redistributing financial sources between current expenses, social transfers and investments.

## **6. Performance ranking**

Finally, after explaining how and why different indicators are important and how do they behave, we have to present the final result as a ladder of overall performance. As remarked in the section about the centric character of the Slovenian local development one will see that final performance results of individual municipalities are far from comparable in the sense that centers are ranked higher than peripheral municipalities.

**Table 1:** Ranking of ten “best and worst” Slovenian municipalities’ performances according to the ALENKA

Municipality	Region	KK+G+IR+RN score	Rank
Markovci	Podravska	316,88	1
Podvelka	Koroška	312,06	2
Starše	Podravska	264,79	3
Ig	Osrednjeslovenska	248,85	4
Hrastnik	Zasavska	227,66	5
Velika Polana	Pomurska	223,42	6
Trzin	Osrednjeslovenska	221,46	7
Cerklje na Gorenjskem	Gorenjska	220,00	8
Ptuj	Podravska	214,82	9
Rogašovci	Pomurska	213,77	10
Dornava	Podravska	-12,14	201
Divača	Obalno Kraška	-14,48	202
Videm	Podravska	-21,36	203
Vransko	Savinjska	-22,37	204
Tabor	Savinjska	-41,13	205
Šalovci	Pomurska	-53,31	206
Mozirje	Savinjska	-58,31	207
Komenda	Osrednjeslovenska	-75,28	208
Kostel	Jugovzhodna	-104,50	209
Šentjernej	Jugovzhodna	-105,92	210

Source: Authors' calculation

Due to the fact that we stressed the system of capital and regional centers and some other cases of municipalities, it seems appropriate to see how they managed in their performance assessment. Ljubljana as the capital did in fact poorly by achieving 172<sup>nd</sup> position out of 210. However, its performance was still assessed as positive. Maribor did much better, placing itself on 88<sup>th</sup> position. Koper occupied 66<sup>th</sup> position, Kranj 116<sup>th</sup>, Celje 195<sup>th</sup>, Piran 118<sup>th</sup>, Ptuj 9<sup>th</sup>, Krško 136<sup>th</sup>, Novo mesto 153<sup>rd</sup>, Velenje 150<sup>th</sup> and Nova Gorica 83<sup>rd</sup> position. Overall we can say that regional centers, with the exception of Ptuj that was closest to the regional centers importance ranking, did in fact disastrous. Their performance seems to be far from optimal concerning the fact that they have much greater budgets and greater responsibilities for the development of the Slovenian local environment. Let us also discuss the performance of some other cases we exposed previously. Komen, as small and almost an unimportant sub-regional center, managed to get about the same performance result as it is placed on the dendrogram of municipal clusters occupying position 41. Trzin as one of the unimportant municipalities performed as 7<sup>th</sup>, while Mengeš was much less successful on position 122. Vipava was 71<sup>th</sup>, Naklo 42<sup>nd</sup>, and Šenčur 91<sup>th</sup>. With exception of Mengeš, all other sub-regional centers or even peripheral municipalities performed much better.

In order to try to explain what happened to regional centers and to other selected municipalities, we are adding rankings of individual municipalities for basic four categories that are composing the final rank. However, one shall recall ponders of individual categories causing that bad performance of human resources and financial management. Also, individual categories influence final result much stronger than bad performance at infrastructure development or development orientation.

**Table 2:** Partial ranking of selected municipalities

Municipality	KK	G	IR	RN	Overall rank
Ljubljana	187	35	207	113	172
Maribor	130	58	35	34	88
Koper	124	86	115	14	66
Kranj	106	39	141	132	116
Celje	184	72	205	176	195
Piran	167	171	96	19	118
Ptuj	14	203	203	17	9
Krško	181	178	73	20	136
Novo mesto	164	106	175	100	153
Velenje	150	57	197	124	150
Nova Gorica	70	76	180	134	83
Komen	136	204	84	1	41
Trzin	8	84	206	93	7
Mengeš	122	31	209	131	122
Naklo	39	29	162	96	42
Šenčur	133	7	135	56	91
Vipava	71	56	55	110	71

Source: Authors' calculation

At first sight it seems that ranks for various categories and general rank are not corresponding but one shall be aware that these ranks are assigned according to the “points” that individual municipality gained in certain category and according to these points each municipality got category rank. Due to different and independent performance in different categories final sum of points relativized category ranks and created completely new ranking cases. Such as Ptuj, that has good ranks in two categories, but overall Ptuj did much better due to the fact that some other municipalities did much worse and because these ranks are corresponding to the ranks of other municipalities. It means that the positions of municipalities are relative and can change over time, not only due to their own performance but also because of the performance of other municipalities. If some municipality significantly improves, other municipalities will slip down in ranking automatically.

Selected important or “strange” cases taken into additional consideration show that municipalities have problems concerning human resources. They are trying to manage money better than they are doing in overall rank. In general they are development oriented. Ranking in the field of infrastructure development (IR) can be

somehow misleading. One has to be aware that with the exception of Komen, which is an underdeveloped rural area, all other municipalities were initially of size and development of town or city (title of city can be awarded to Slovenian settlement when population exceeds 3,000 inhabitants, mainly not involved in primary sector activities and when settlement is providing all services to the citizens). Status of city shall not to be confused with so called city municipalities which have more strict conditions, such as the need to provide secondary level education, hospital level healthcare, providing 15,000 working places; also a city municipality has more than 20,000 inhabitants. Concerning this, all other selected cases, except Komen, have better developed infrastructure. Indicators for infrastructure development are rewarding municipalities who are developing or improving infrastructure. This is not a general case in well-established municipalities. It seems that development orientation of the municipalities is not basically connected to their overall performance. However, it seems that winning combination is high ranking in human resources in connection with appropriate budgeting and/or development orientation.

Based on all analyzed data we can argue that regional centers are established mainly on raw resources they have or they are able to activate. On the other hand, peripheral municipalities are, in many cases, doing much better in organizing their resources into administrative mix that enables them to perform comparatively better than regional centers. We can argue that regional centers have huge but mainly poorly used potential in reorganizing. In this sense it is obvious that Ljubljana shall question its human resource policy in municipal administration, which is equally valid for Novo mesto, Šenčur and others who have low general ranks and low human resource rank as well. Koper seems to be a positive exception with low human resource rank, but despite a high ponder on this category, due to successes in other categories; it is able to keep decent position in overall situation. Additional remark on reading ranks must be stressed at this moment. It is that rank is not defining how good a certain municipality performs on its own. Rank is telling us how many municipalities are performing better and how many are performing worse from selected municipality. Telling otherwise, we are not arguing that any of the municipalities is doing badly (even if it is) we are just saying how many and which municipalities are doing a better or worse job.

## **7. Concluding remarks**

It seems that within this article, we can make at least three conclusions. First one is methodological. The model has certain weak points, such as too much leaning on budgetary information and lack of some other information. This is hard to overcome and it demands systematic information on structure of employees etc. The system of ponders could be reorganized but anything in this respect will be arbitrary changed that can be done due to changed perception of importance of different performance categories. However, we believe that the current model is able to show some relevant information in certain moments as well as in time. Only the testing of the model over time will show the real potential to monitor municipal performance.

Second conclusion regards to the groups of municipalities developed in dendrogram. This part, despite presented here as a test of indicators, seems to be one of crucial side-effect information showing that Slovenia, despite its smallness, is organized into interdependent centers and peripheries. In other words, so far it seems that municipalities that are too close to stronger ones will have only limited possibilities to develop into centers unless existing centers will decline at the same time.

Third conclusion refers to the system of rankings. It is obvious that center-periphery has no influence on ranking, meaning that overall position of certain municipality on the importance list has no influence on their relative performance. It is of utmost importance that one is aware that ranking tells us nothing about absolute performance of certain municipality. It tells us how and which municipalities are able to develop more soundly.

We are aware that municipalities with low rankings will try to prove that this model is wrong, as well as the political opposition existing in well performing municipalities. On the other hand, politicians in office from well performing municipalities will try to stress their success, and their opposition will try to prove the model wrong. The fact is that this model is the only one in Slovenia that is ambitious enough to rank municipalities on not solely budgetary performance or questionnaires that were proven to be very unreliable in measuring public administration performance in Slovenia.

In future years, the model shall be tested and corrected in points where corrections are possible without losing the reliability of information.

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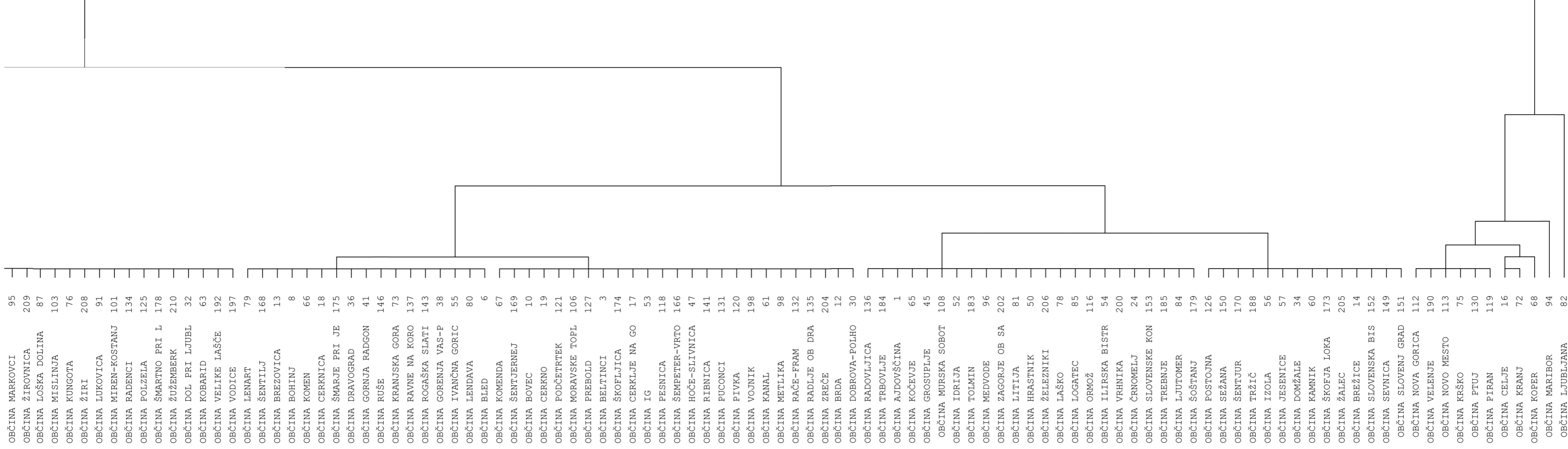
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## Appendix 1

OBČINA SVETI ANDRAŽ	161
OBČINA VERŽEJ	193
OBČINA RAZKRIŽJE	138
OBČINA CANKOVA	15
OBČINA KUZMA	77
OBČINA TABOR	181
OBČINA DOBROVNIK	31
OBČINA ŽETALE	207
OBČINA TRNOVSKA VAS	186
OBČINA DOBJE	27
OBČINA JEZERSKO	58
OBČINA HODOŠ	48
OBČINA OSLINICA	117
OBČINA KOBILJE	64
OBČINA BLOKE	7
OBČINA CERKVENJAK	20
OBČINA GORNJI PETROV	43
OBČINA JURŠINCI	59
OBČINA ŠALOVCI	165
OBČINA MAKOLE	93
OBČINA PODLEHNIK	122
OBČINA SVETI TOMAŽ	164
OBČINA REČICA OB SAV	139
OBČINA VELIKA POLANA	191
OBČINA BISTRICA OB S	5
OBČINA SODRAŽICA	154
OBČINA ZAVRČ	203
OBČINA ODRANCI	114
OBČINA RIBNICA NA PO	142
OBČINA KOSTEL	70
OBČINA SOLČAVA	155
OBČINA GORNJI GRAD	42
OBČINA LJUBNO	83
OBČINA DORNAVA	35
OBČINA TURNIŠČE	189
OBČINA KOSTANJEVICA	69
OBČINA LOG-DRAGOMER	86
OBČINA HORJUL	49
OBČINA BOROVNICA	9
OBČINA ŠTORE	180
OBČINA ŠMARTNO OB PA	177
OBČINA DOBREPOLJE	28
OBČINA APAČE	2
OBČINA STRAŽA	158
OBČINA ŠKOCJAN	172
OBČINA GORJE	40
OBČINA ŠMARJEŠKE TOP	176
OBČINA MEŽICA	99
OBČINA VUZENICA	201
OBČINA ROGAŠOVCI	144
OBČINA PODVELKA	123
OBČINA PREDDVOR	128
OBČINA OPLOTNICA	115
OBČINA POLJČANE	124
OBČINA DOLEJSKE TOP	33
OBČINA GORIŠNICA	39
OBČINA MOKRONOG-TREB	104
OBČINA MUTA	109
OBČINA LOVRENC NA PO	89
OBČINA TIŠINA	182
OBČINA ŠENTRUFERT	171
OBČINA NAZARJE	111
OBČINA BRASLOVČE	11
OBČINA RADEČE	133
OBČINA HAJDINA	46
OBČINA KOZJE	71
OBČINA SELNICA OB DR	147
OBČINA ČREŃOVCI	22
OBČINA BENEDIKT	4
OBČINA VRANSKO	199
OBČINA SVETA TROJICA	160
OBČINA KRIŽEVCI	74
OBČINA MIRNA PEČ	102
OBČINA SVETI JURIJ	162
OBČINA LUČE	90
OBČINA SREDIŠČE OB D	156
OBČINA DESTRIK	25
OBČINA CIRKULANE	21
OBČINA LOŠKI POTOK	88
OBČINA SVETI JURIJ V	163
OBČINA VITANJE	196
OBČINA GRAD	44
OBČINA SVETA ANA	159
OBČINA MENGEŠ	97
OBČINA PREVALJE	129
OBČINA NAKLO	110
OBČINA DUPLEK	37
OBČINA VIFAVA	195
OBČINA SEMIČ	148
OBČINA HRPELJE-KOZIN	51
OBČINA VIDEM	194
OBČINA ČRNA NA KOFOŠ	23
OBČINA KIDRIČEVO	62
OBČINA ŠENČUR	167
OBČINA DIVAČA	26
OBČINA MOZIRJE	107
OBČINA ROGATEC	145
OBČINA DOBRNA	29
OBČINA TRZIN	187
OBČINA MIKLAŽ NA DR	100
OBČINA MORAVČE	105
OBČINA STARŠE	157
OBČINA MAJŠPERK	92
OBČINA RENČE-VOGRSKO	140



**Figure 1:** Dendrogram, based on data for 2009