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The need to mobilize government learning in the Republic of Slovenia

Government
learning in
Slovenia

51

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Political history of Slovenia

The movement towards democratization in the former Yugoslavia began with a dispute over human rights in Kosovo in 1987. Slovenia sided with Croatia, Bosnia-Herzegovina and Macedonia on the issue against Serbia and Montenegro. It soon became clear that a resolution of the problem was not possible and that the future of the old Yugoslav federation was in jeopardy. Slovenia was always the most Western-oriented of the republics; it was already starting to head towards democracy as early as 1988. The supremacy of Serbia became less and less bearable and the move towards independence more and more inevitable.

The Slovene Communist Party itself was relatively liberal and was, in fact, the initiator of many of the ensuing changes. In April 1990 the first free elections were held resulting in the election of Milan Kucan, a former communist, as the President of the Republic of Slovenia, and the DEMOS (a centre-right coalition) received the majority of the votes. In a December 1990 plebiscite, 93 per cent of the voting population voted in favour of sovereignty. A deadlock in discussions on transforming Yugoslavia into a confederation resulted in independence being declared by Slovenia on 25 June 1991.

The federal Yugoslav military attacked Slovenia two days later. The war lasted for ten days, after which a cease-fire was established. Intervention by the European Community resulted in Slovenia agreeing to postpone the implementation of their decision on independence for three months and the Yugoslav federal army being withdrawn from Slovenia. At the end of the three-month period, Slovene authorities started implementation of independence. A new constitution was adopted on 23 December 1991 and the EC formally recognized Slovenia as a sovereign state on 15 January 1992. Since that date, more than 100 countries have followed the EC's example.

At the time of the 1990 elections, the DEMOS coalition was the only opposition to the Communist Party. Since then ten main parties plus some additional groups have sprung up replacing DEMOS. The main parties are:

- LDS (Liberal Democratic Party);
- SKD (Slovene Christian Democrats);
- SDP (Party of Democratic Renewal (former Communist Party));
- SNS (Slovene National Party);
- SLS (Slovene People's Party);
- DS (Democratic Party);
- ZS (Greens of Slovenia);
- SDSS (Social Democratic Party of Slovenia);
- SSS (Socialist Party of Slovenia);
- SDZ/NDS (Slovene Democratic Union – National Democratic Party);
- LS (Liberal Party).

The government nominated after the 1990 elections was headed by Prime Minister Peterle (SKD). It was ousted after a vote of no confidence in April 1992. A new government was elected on 14 May 1992 consisting of six parties from the centre and left (DS, LDS, SDSS, SSS, ZS and SDP).

Another election was held on 6 December 1992 under a new election law establishing a proportional representation system. Milan Kucan was again elected as President and the Parliament was distributed between eight parties slightly to the political right of the previous parliament. Because of the number of parties involved, it took more than one month to form a coalition government. The new coalition government is headed by Dr Janez Drnovsek and consists of 15 ministers (six from LDS, four from SKD, four from United List made up of SDP and three other parties, one from SDSS and one from ZS) and one minister without portfolio. In January 1996, the United List withdrew from the government and the remaining parties form the Government at present until most probably the coming elections in the fall of 1996.

The new Slovene constitution provides for a single-chamber Parliament with full legislative power. The National Assembly is composed of 90 deputies. It also provides for a National Council made up of 40 representatives of social, economic, trade, professional and local interest to ensure efficient control over legislative and other activities of the National Assembly and political parties.

Countries neighbouring Slovenia are Austria, Hungary, Italy and Croatia. Its borders are internationally recognized. A minor territorial dispute exists with Croatia.

In spite of past political difficulties, the process of democratization is going rather smoothly in Slovenia. There does not seem to be the same antagonism against the former rulers as witnessed in many other Central and Eastern European countries. In addition, the population is very homogeneous. Only 0.05 per cent of the entire population are ethnic minorities (Italians and Hungarians) and another 10 per cent are immigrants from other ex-Yugoslav republics. In

addition to this there are more than 100,000 refugees from the current war in other former Yugoslav republics.

The economic situation in Slovenia

Slovenia is a small country with hardly any natural resources. It is, however, highly industrialized and export-oriented. In the past it served as the export base between the former Yugoslavia and the West. Its location between Eastern and Western Europe also makes it important to transit transport and tourism. The manufacturing sector comprises electrical and non-electrical machinery, metal processing, chemicals, textiles, wood processing and furniture and contributes about 33 per cent to the GDP. Services contribute more than 50 per cent of GDP and include transport and communications, trade, finance and tourism, among others.

Slovenia's industrial sector is made up of many small companies. This results in a high degree of flexibility due to the fact that production is not concentrated in a few very large companies. For example, the top 130 largest companies employ only 40 per cent of the workforce and the 20 top exporters account for less than 35 per cent of total exports.

In 1991 Slovenia had a per capita GDP of over ECU 5,000 and was the wealthiest and most developed of the republics of the former Yugoslavia. Slovene companies, which were traditionally self-managed at near market conditions, served as an export channel for the other republics in the federation. However, the outbreak of war in former Yugoslavia in 1991 and the breakdown of the CMEA trade block caused industrial production to fall by 12 per cent and unemployment to increase to over 8 per cent. Since then real output has continued to decline, albeit at a somewhat slower rate. In 1992 the most serious declines occurred in industry, especially the production of capital goods, raw materials, consumer goods and retail trade. There are several reasons for this, namely the transition to a market economy, collapse of trade within the CMEA countries, and the toll taken by the war. Investment has also dropped dramatically resulting in an increase in unemployment. The rate of unemployment had reached 12.7 per cent as of November 1992. Even though the private sector has grown slightly, its share of total employment is still far less than the public sector which employed 84.9 per cent of employees in the first half of 1992. Slovenia has since successfully reoriented its economy towards mostly EU markets. The GDP per capita in 1994 grew again to US\$ 7,181 while unemployment remained high due to structural adjustment difficulties of some of Slovenia's industrial sectors and remained in 1994 at 9.1 per cent.

Inflation continues to be a constraint to economic recovery. Although the hyper-inflation which occurred at the end of the 1980s (2,770 per cent) has been controlled, it was still running at around 38 per cent as of the last quarter of 1992 and average real interest rates are running close to 24 per cent. The figures of 1994 showed improvements in that inflation further decreased to 18.3 per cent.

Present situation of the public sector

The public sector in Slovenia consists of three categories, namely, the state administration, the parastatal administration and the socially owned independent agencies. The task of transformation from a centrally-controlled economy to a market-oriented economy has not been as speedy as hoped for. All three branches are confronted with issues of maintaining their day-to-day operations while transforming themselves into new entities befitting their new operational context. The results were confusion, inefficiency and disorder.

Although the public administration in Slovenia seemed very decentralized, even under a socialist regime, this was only an outward appearance. In fact, the administration was highly centralized and decision making was left to a small circle of leaders in the government. The old structure was geared towards directing most activities in society through strong central planning. The public administration, like the State, was all pervasive, thus the huge gap between employment in the public sector and private and social sectors.

The personnel working today in public administration are, to a large extent, the same as under the previous regime. Although many of them may be experts in their respective fields, they lack the necessary knowledge and skills to implement a modern, democratic public administration.

This situation has been further exasperated by the sharp increase in administrative tasks. When Slovenia became an independent state in 1991, complete public administration suitable for a sovereign state had to be established. New state functions had to be assumed by the Slovene central administration which was both inadequately prepared and under-equipped. As a result, the administration has not been able to perform at an optimal level. Therefore, the institutional reform in Slovenia needs to focus urgently on adapting Slovenia's public administration to the new administrative demands and on enhancing its institutional capabilities.

The presence of a para-statal administration which was prevalent in the former Yugoslavia also hampers the functioning of the new State and compounds the deficiencies of the existing public administration. Under the principle of self-management, public services were performed by socially owned independent agencies. These socially owned independent agencies were not given the legal status of public enterprises, instead they were and still are regulated and controlled by the para-statal regulatory bodies. Para-statal regulatory bodies, therefore, have been responsible for planning, organizing, financing, regulating and supervising the provision of public services. The transformation of Slovenia demands reorientation and reorganization of both the parastatal administration and the socially owned independent agencies. The process of transformation has proceeded at a slow pace. More comprehensive reforms need to be undertaken as soon as possible and feasible.

The third specific feature of Slovene public administration is the "communal system", which is a mixture of local government and local administration. They perform tasks of local administration and functions of the local government, making them *de facto* unaccountable. In addition, these local governments at

times assume functions of the State thereby creating confusion of policies and resulting in many irregularities. The reform of the communal system is an important issue which needs to be addressed in the near future.

Need for institutional reform

In the past the Communist Party was the highest authority in the country. Its eventual loss of power has resulted in a crisis for Slovenia's institutions, its legal system and decision-making process. The appearance of numerous political parties has led to fierce power struggles, a further increase in uncertainty and a further prolongation of Slovenia's transition period.

The need for institutional change is generally accepted by most people in Slovenia. But frequent political deadlocks, lack of defined competences, and an inadequate legal system make change a very slow process. Up until now, the haphazard and slow approach to solving these problems has caused legal loopholes, conflicting laws and overlapping jurisdictions, all resulting in legal and institutional instability. Institutional change has been further slowed down by the fact that more pressing political problems have taken precedence, such as establishing institutions of an independent State, agreeing on a boarder with Croatia, determining citizenship of former Yugoslav citizens and achieving international recognition.

All this has been coupled with the economic crisis. A planned economy can only work in highly predictable circumstances and is not equipped for the rapid rate of change that it is now experiencing. An example of this is the proposed restructuring of the steel industry in Slovenia:

Where no progress has been achieved despite government intervention and the nationalization of the steel-producing companies. The reasons for failure range from a lack of execution and the dominance of local interests at plan level, through a lack of competence and the inability to take decisions at corporate level, right up to a lack of understanding and a reluctance to make hard choices at government level.

All this, combined with such unfavourable external developments as recession in the world steel industry and the collapse of the Yugoslav market, has brought grave consequences: more than 12,000 jobs are endangered, about DM 1 billion of assets are unproductively employed, and close to DM 100 million subsidies have been spent annually, leading now to nationalization, a new DM 500 million bail-out by the new government, and prospects that continue to look precarious[1].

Reform of the administrative system in Slovenia will require changing the legal system and changing the way things are done. Both changes demand major efforts from all parties concerned. Reflecting on the tasks and challenges at hand, Professor Pirnat writes:

The reform of public administration is not a one-step action in which a modern and democratic public administration can be created; it is rather a long process of searching and applying transitional solutions in organization and in function of public administration; this is not only because of the specific transitional needs of Slovenia, but also because of limited human and material resources available for the administrative reform and because of limited organizational stress that present public administration can take[2].

Reorganizing the administrative system implies changing the human element of the system. This does not require a complete replacement of the existing employees, but requires changes concerning their work habits, attitudes and thinking. More emphasis needs to be given to professional knowledge, merit, performance orientation, promotion of new ideas and initiatives and clear distinction between professional civil servants and political functionaries. No ready-made models can be adopted for the reform process. In Slovenia solutions have to be tailored to the cultural background, traditions, expectations and experience of the people.

Current inefficiency and ineffectiveness of Slovenia's public administration and civil service system

Drawing on extensive discussions with many representatives of the Slovenian Government and relevant publications from Professor Rajjko Pirnat[2] and Danica Purg[3] the following observations can be made:

Public administration

Lack of efficiency. Lack of efficiency within the public sector has resulted in a general tendency of duplication of work while other work is not being done at all, some work is being started but not completed, or work being done turns out to be unnecessary. Consequently, the current public administration tends to be overburdened and under-performing. The output of the different administrative units are unstable, varied and at times unpredictable.

Information gaps. The rapid rate of recent changes has led to an information gap. Civil servants at different levels of the administration are not up to date on current policies and procedures. Civil servants and the public at large are confused about which laws and procedures are valid. Illegal activities remain unchecked resulting in a general erosion of public order and the Government's credibility.

Structure and functions not synchronized. Many new laws are being drafted, some have been approved by Parliament, others are in the process of being amended. What is often missing, however, are the corresponding organizational structures and management functions which are needed to implement the new laws. Also, adequate channels of communication and co-operation within and between ministries essential for any functioning of an administration has not yet been established. All of the above increase ambiguity and discourage civil servants from showing initiative and taking decisive action.

Excessive litigation. Complaints from the public are increasing and the administration is increasingly forced to deal with crisis situations which make it less and less possible to attend to mid-term and long-term policy and strategy issues. As a consequence, morale of civil servants has been affected resulting in loss of qualified and competent staff.

Solutions needed. A frequently mentioned non-exhaustive list of remedies of these problems might consist of, for example, simplification of work procedures, rationalization of structures of ministries, clarification of roles and

responsibilities of civil servants, improvement of work methods, better utilization of staff and improvement of policy-making instruments.

Public services

Inefficiency and ineffectiveness. Inefficiency and ineffectiveness of Slovenia's public services manifests itself in many sectors. Some of these performance problems relate to the use of outdated technology and equipment. A large number of performance problems, however, relate to organizational and managerial shortcomings. The latter causes of inefficiency and ineffectiveness are illustrated by the description of two sectors which need urgent attention and share similar problems, namely the water supply and liquid waste disposal sectors. An analysis of the problems in these two sectors indicate similar issues that need to be dealt with on a non-technical level.

Perceived lack of price equity. The prices for services in both sectors vary greatly from place to place depending on quality, availability of services and other administrative criteria. The high costs of installing new facilities are often passed on to individual customers on an extremely unequal basis. Cost accounting systems are virtually non-existent and the country's financial management system is ineffective. Prices are established by the communities, but the factors taken into account in setting prices are sometimes arbitrary and may be political as well as economic.

Polluted water quality. The public is often unaware of the pollution caused by farm and industrial waste and this causes health problems due to the continuous use of contaminated water. Public information regarding the causes of pollution is scarce and the polluters are often left unpunished due to insufficient judiciary and law-enforcement infrastructure.

Lack of maintenance. Ageing infrastructure leads to water loss, and thus insufficient supply, as well as further contamination due to wastage leaking into the faulty pipelines. Generally all the public facilities have been poorly maintained in the past and tend to break down often. There is a need to replace some of the few facilities that exist and to maintain all of them better.

Inadequate planning. Inadequate planning is a major cause of inefficiency in the public service in general, and in the water supply and liquid waste disposal sectors in particular. Planning procedures are extremely lengthy, sometimes taking three to four years; and once the plans are made, they are sometimes not followed up.

Insufficient customer communication. Communication is another problem which seems to be common across all sectors. Not only are there no information systems available to the consumer, there is no mechanism for receiving feedback from the consumer on the appropriateness and quality of services being provided.

Ineffective organizational system. The current organizational structure is dysfunctional. There is practically no co-ordination or communication between the various administrations involved in each public service sector, both at local and central government level. Up to now, public services have been delivered by

each municipality in their own way. As a consequence, the services provided differ widely in regard to quality, price, speed, etc.

Inoperative regulatory function. As is the case with public administration in general, regulations are often not being followed or reinforced. Monitoring methods are ineffective. One reason for this is that the cost of monitoring is prohibitive. Another reason is that penalties are negligible and sanctions are difficult to enforce when violations are detected.

Solutions needed. Some of the solutions to Slovenia's public services problems are similar to those of the public administration, e.g. simplification of work procedures, rationalization of organizational structure, etc. In addition, institutional capacities need to be developed to enable the public services to define their functions better, establish equitable and cost-efficient pricing mechanisms and strengthen their respective regulatory mechanisms.

Civil servants

Unco-ordinated recruitment. Since 1989, recruitment and selection of civil servants has been decentralized to the individual ministries. Certain ministries have established a small unit in charge of personnel functions. Personnel quotas are set by the Ministry of Finance. This decentralized practice has resulted in a variation of skills profiles of the new recruits and a confusion of personnel standards.

Lack of performance review. There has never been a performance review of Slovenia's civil servants. In the past, civil servants were supervised and controlled by the Communist Party. Since independence, the Communist Party no longer operates as a shadow cabinet which has resulted in more freedom for individual civil servants but has also created a vacuum in regard to the effective and efficient performance of Slovenia's civil servants.

Inadequate work methods. Difficulties exist in regard to prioritizing of tasks, communicating on horizontal and vertical lines, planning necessary steps for project implementation, time management and economical mindedness. Up to now, relevant training seminars have been practically non-existent.

Outdated leadership style. The dominant leadership style has traditionally been paternalistic which did not encourage initiative and participation by staff members. As a corollary, civil servants in subordinate positions have not been encouraged to take responsibility or to show initiative.

Lack of service orientation. Public administration of the pre-independence period was more bureaucratic and less managerial. Civil servants executed orders which in general related to administrative measures. They are not used to considering the citizens at large as customers who are entitled to good-quality work and equal access to their services.

Ignorance of externalities. Policy making and implementation relating to macro-economics and foreign affairs were centralized in Belgrade during the pre-independence period and had to be created and established after 1991. In addition, many civil servants are not aware of the interdependencies between public administration, business, economics and international relations.

Solutions needed. The qualifications of Slovenia's civil servants need to be reassessed and, if seen appropriate, they need to be adjusted to fit the performance requirements of tomorrow. A re-qualification system might have to be envisaged once the new public administrative law is passed by Parliament. In order to support the current civil servants in improving their work efficiency, massive training programmes should be undertaken coupled with complementary organizational consultation in the areas of team work, interdepartmental co-operation and management studies.

Change processes which need to be envisaged

At the moment, the Slovenian government is in need of support to develop its institutional capability in monitoring and in analysing its internal workings. Symptoms of inefficiency and ineffectiveness abound, yet the underlining institutional blockage remains unclear. It is urgent that internal monitoring and feedback mechanisms be established.

Also lacking is the institutional capacity to organize and conduct management development and training. Modernizing Slovenia's public administration requires different work methods, different leadership styles, different ways in handling conflicts and a different management approach. All this implies retraining of the existing civil servants. While there are some training programmes available, they tend to focus either on information dissemination or on more traditional forms of classroom education. Both are insufficient to support the implementation of change. Hence it is critical that an internal development mechanism be established which will bring about a synthesis between theory and actual application to one's job.

Since independence, the political landscape of Slovenia has changed several times. A multitude of political parties compete for power. On the one hand this helps strengthen democratic practice, but on the other hand leads to inevitable horse trading, blocking manoeuvres and in-fighting, all of which could be detrimental to a project like this one which aims at a major overhaul of Slovenia's constitution and public administrative system.

An important part of public administrative reform is based on the development of new laws which need to be drafted, amended, negotiated and approved by the Slovene Parliament. Skilful political steps are required to move from policy making to policy implementation. Similarly, political resolve at the highest governmental level and broad-based consensus are necessary to carry through the recommended improvements to the existing problems of public-sector inefficiency and ineffectiveness.

Change inevitably means leaving behind old patterns of doing things, sometimes even disbanding of institutions and accepting job losses. Faced with a potential loss of power, influence or jobs, many current stakeholders might resist change and opt for confrontation or resistance tactics, thereby stalling the reform process, or worse, aiming at reversing the current trend towards modernization. Should the latter be the case, this bilateral project might be in jeopardy.

A further risk in the future could be the possibility of further economic decline of the Slovene economy. Unemployment figures might further worsen, leading the Government to increase its debt financing and thereby re-igniting inflation, which in turn might undermine the stabilization policy of Slovenia's Central Bank leading to capital flight and bankruptcies.

A further complication could arise if the export opportunities shrink due to continued world recession or due to unfavourable trade conditions. This would decrease the income of Slovenia's exporters further, which in turn would reduce the taxable revenues of the Slovene Government. Faced with severely limited financial reserves, the Slovene Government might not be able to finance projects aiming at modernizing its public administrative system.

The challenges ahead

Slovenia has been able to secede from the former Yugoslav Republic after a short war of independence. The member states of the European Community recognized Slovenia on 15 January 1992 and since then more than 100 countries have followed suit. On 18 May 1992, the Security Council passed a resolution to admit Slovenia to the United Nations. In addition, Slovenia is by now member of the Council of Europe and is applying for membership at the WTO and related international institutions.

Judging by this admirable success of getting international recognition within such a short time, it nevertheless should not be forgotten that relations with Serbia remain unsettled and relations with Croatia remain tense due to border disputes. Should the war in Bosnia be reignited and turn into a larger regional armed conflict, Slovenia might be affected as well, be it because of the resulting mass migration of refugees or because of military entanglement.

Should the latter occur, the Slovene Government might have to close its borders and restrict circulation of civilians. Such restrictions might then impede travel to and from Slovenia and restrict or slow down modernization drives that the Government would like to undertake.

Public and private sector reforms in post-communist countries are done in very troubled social and political environments. It is therefore difficult to define clear objectives and equally difficult to ensure consistent and continuous execution of agreed plans of action. This is due to strong day-to-day pressures which require of the foreign consultant and their local counterparts to be adaptable to the continuous environmental changes and to be willing to improvise in order to solve short-term problems through compromises without, though, abandoning long-term strategic goals and objectives. Without such flexibility, the change process quickly gets halted if not aborted since political deadlock is frequent and reform processes oftentimes lose momentum or get paralysed due to mutually exclusive personal and professional agendas of people having to live and survive in post-communist countries.

Conclusion

In spite of the above mentioned problems, Slovenia may be considered as one of the most successful states in transition. It has undoubtedly achieved considerable success in the field of the economy and time will tell whether this success is realistic or whether it is the result of internal and external coincidences and circumstances.

Slovenia has reached a turning point. All these new developments in the economic sector have to be put into an adequate institutional frame or else they will drown in increasingly more and more social entropy. The underdevelopment of the State and its institutions represents serious obstacles for further economic development. Greater efforts and finances will have to be invested into the development of Slovenia's public administration, in order to guarantee sustainable development of Slovenia.

The current initial administrative reforms in Slovenia focus mostly on the constitutional and legal frameworks of Slovenia's public administration. Equal attention should also be paid to the realignments of the mind sets and skill requisites of Slovenia's civil servants. Mechanisms need to be set up to coordinate the needed interventions addressing both the structural and human factors.

In short, efforts and investments need to be made to develop internal change capacities within Slovenia's central government administration. Such development of internal know-how would be required in order to guarantee sustained success of Slovenia's public administrative reform objectives.

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