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SMART ADMINISTRATION
COHESION POLICY

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Contents

Preface

From the moment of their birth to their demise, every citizen is involved in relationships with public administration on a daily basis. Most of us are born in public hospitals. After birth, a birth certificate is issued, then an identity card, a passport, a marriage certificate, a building permit, etc. We obtain most of the documents that we need during our lives at municipal authorities. Public administration thus both literally and figuratively 'permeates' our entire lives.

Those who work in public administration thus face a number of questions every day: How should public administration work in order to effectively satisfy the citizens' needs? How should public administration act and behave in order to make the citizen feel as a satisfied client of public administration? What should the individual levels of public administration (central state administration and self-government) do in order to achieve that? What are the methods and procedures to be used by public administration employees in order to make decision-making efficient? The answers to all these questions are sought within this publication.

The publication is primarily intended for public administration employees. It can also be inspirational for the work of central state administration employees, in particular in the area of public administration reform. To a large extent, the publication can also be used as recommended literature for university courses relating to public administration in the Czech Republic.

Symbolically, the publication is being created at the time of the Czech Republic's EU presidency. The authors of the text have been well aware of this fact. Therefore, they strive to present an objective evaluation of the existing situation in the Czech Republic, while pointing to positive European trends whose application is desirable within the context of public administration management in the Czech Republic. The publication can thus become a source of information for other EU countries and help them find the answer to the following question: "How does the Czech Republic stand in terms of effective public administration management?" How real is the possibility of implementing 'Smart Administration' in the Czech Republic?

What we see as an advantage of this publication is the fact that its preparation was undertaken by a heterogeneous collective of authors, in particular the staff of the Ministry for Regional Development, as well as a member of the academic community. Both these groups have long-standing practical experience with exercising public administration (or self-government), which is a positive factor. The methods, recommendations and procedures presented in this publication have been tested in practice, modified and subsequently re-verified by the authors. Therefore, the authors consider the analysis, the suggestions and the recommendations presented in the publication to have been – to a large degree – objectivised, with a low risk of managerial failure in adopting the analysed methods and procedures at the appropriate levels of public administration. Therefore, they may serve as inspiration for how to implement Smart Administration in the Czech Republic. As the authors, it is our wish that the study of the publication will encourage your critical reading of the text and guide you to a variety of inspiring ideas that will ultimately result in the creation and the efficient functioning of Smart Administration in the Czech Republic.

The collective of authors
Prague, April 2009

1. The substance of the issue of Smart Administration (theoretical and methodological starting points for examining the issue)

1.1. "Non-management" and "non-innovation" as the causes of failure in territorial administration and development

One of the current problems of self-government is the deficit with respect to its management and innovation. Peter Drucker gives two general causes of a crisis or a failure (Drucker, 2004, p. 19): "Every existing organisation will quickly go bankrupt **unless it innovates.** On the contrary, every new organisation will quickly collapse **unless it manages."** According to Drucker, this applies to both the for-profit and the non-profit sectors including, of course, states and territorial units. Both the above factors, i.e. management and innovative approaches, are addressed in this publication.

First start managing, then innovate – these simple recommendations can be used as a basis for modernising public administration. In this connection, reference is made to Smart Administration[1], i.e. 'smart' public administration. In our reality of public administration, we sometimes encounter 'non-management', namely through: (1) 'non-planning': the failure to define visions, strategic and operational plans, objectives and their target values – i.e. what should be done and with what result. The failure to define deadlines or the resources used for meeting them;

(2) 'non-organising': no suitable organisational structures and suitable procedures are defined to ensure implementation;

(3) 'non-leading and non-motivating': public sector organisation is not subject to any continuous guidance and incentive towards activities whose implementation is defined within planning;

(4) 'the non-performance of monitoring and inspection': the failure to respect the rule 'There is no management without measurement!'. That is to say, feedback is not used to direct the activities in a manner that allows for objectives (and their target values) to be achieved within fixed deadlines and with specified resources (effectively, efficiently and economically).

In the business sector, it is unthinkable for a product or a process innovation to be performed without perfectly knowing that which we intend to innovate. In other words, innovation is to be performed based on good understanding of the needs, monitoring, measuring, feedback etc. If I 'do not manage', I should not innovate.

Any change for the better (i.e. innovation) needs to be made with good knowledge of both the object of innovation and the necessary links. Innovative approaches within territorial administration and development are deemed to include those approaches that successfully respond to changes such as globalisation, transition to information society, integration processes within the EU, pressure on the effectiveness, the performance and the quality of public institutions' work, pressure on the quality of people's lives etc.

1 A suitable Czech term is yet to be found for the English term 'Smart Administration'. Some authors refer to it as 'chytrá veřejná správa', while others use other translations of the word 'smart' that are commonly listed in English-Czech dictionaries. It is safe to say that Czech terminology presently has no stable equivalent to the term 'Smart Administration'. Therefore, for the purposes of this publication, we mostly use the English term 'Smart Administration' without any Czech translation. Where we deem it beneficial to use one of the Czech equivalents, we chose the best fitting expression within the given context. Most likely, time will tell whether a stable Czech term will gradually establish itself for 'Smart Administration' or whether the issue that is being analysed here will be referred to using the English term.

The basis for achieving excellent results is the knowledge of the links and the context (in EU documents sometimes referred to as integrated approaches). Such knowledge of connections needs to be used as the basis for creating management guidelines, promoting changes and innovations and achieving set objectives. This monograph, in consonance with Peter Drucker, places heavy emphasis on management and innovation in the public sector. As a rule, it is true that: There is no management without measurement! First start managing, then innovate!

Good knowledge of connections is the basis for excellent results!

1.2. The cohesion policy and the Territorial Agenda of the EU. The role of Smart Administration in territorial development and good governance

In the first half of 2009, the Czech Republic holds the presidency of the Council of the European Union. The priority of the Ministry for Regional Development is to (1) continue the debate on the future of cohesion policy after 2013 and (2) fulfil the activities of the Territorial Agenda of the EU. From the perspective of the future of the cohesion policy after 2013, the Czech Republic supports retaining the existing orientation of the objectives. In the future, it should therefore continue to be possible for Smart Administration projects to be financed from EU resources. Emphasis should be placed on the maximum simplification of drawing of funding and on the application of integrated approaches to addressing problems in the territory. From the perspective of the Territorial Agenda of the EU, the Ministry for Regional Development will – during its presidency (within the First Action Programme for the Implementation of the Territorial Agenda of the EU) – address urban-rural relationships, i.e. prepare proposals for strengthening the coordination between urban and rural territories in the spirit of both the Territorial Agenda of the EU and the Leipzig Charter on Sustainable European Towns. It is also important to identify obstacles to and potential for urban-rural cooperation. Once the principles of Smart Administration are adequately applied in territorial development, they can contribute to strengthening the coordination of urban-rural links.

From the perspective of applying Smart Administration, we draw a distinction between two types of basic activities. The first type relates to territorial development and public administration modernisation as a whole. The second type includes activities through which the ordinary exercise of public administration takes place. Both these types of activities, which are implemented within Smart Administration, tend to blend. Despite that, a distinction needs to be made between them.

In the case of activities for territorial development and public administration modernisation, the activities focus on the future. The design and the implementation of these activities reflect the capacity of both governments and all levels of representative bodies to govern strategically. Since these activities have the character of modernisation projects, they are implemented in the form of public investments and covered by capital (investment) expenditure. It is true of this expenditure that it represents "deferred public consumption" into the future.

During the implementation of Smart Administration, administrative and self-government activities are also performed that are connected in particular with the provision of public services and public goods. The costs of these activities are covered from current expenses. These are expenses for the ordinary 'operation' of Smart

Administration. Since public resources are scarce and therefore limited, public administration – while putting together budgets – has to address the problem of what portion of public resources should be used for covering public investments and what portion of resources is needed for covering the ordinary activities within public administration. In this connection, strategically behaving governments and representatives at all levels look for answers to the following questions: How much does the exercise of public administration and the provision of public goods and public services cost us? Does the ratio between the activities for territorial development and public administration modernisation on the one hand and the ordinary activities for the exercise of public administration and for the provision of public services on the other correspond to the citizens' needs and to modern development trends in public administration? Is the appropriated capital expenditures sufficient for duly supporting the development of a given territory and for allowing the implementation of modernisation projects in public administration? Is the exercise of public administration sufficiently effective in view of disbursed (running) expenditure? Answers to these questions are also sought in this publication.

1.3. The subject of examination and the orientation of the publication

The monograph entitled "Smart Administration (Chytrá veřejná správa)" and subtitled "Cohesion policy" is written from the viewpoint of regional development (and geography), public economics and management theory. It **focuses in particular on territorial units, i.e. municipalities and self-governing regions,** possibly also their organisations that influence territorial development. While examining the issue of Smart Administration, we focused on the following key problems[2]:

The subject of examination is:

(1) analysing and evaluating individual approaches, modern methods and innovations in the management of public sector organisations (especially territorial units) that are used both abroad and under Czech conditions from the perspective of exercising territorial administration and development,

(2) characterising the Smart Administration strategy that was approved by the government of the Czech Republic in pursuance of cohesion policy and territorial development,

(3) presenting suggested approaches and methods that are suitable for supporting the creation of Smart Administration.

While examining Smart Administration, three basic criteria are taken into account, namely: (1) the significance of the examined problem in relation to the modernisation of public administration and to the possibility of applying such modernisation in territorial administration and development, (2) the innovativeness of a method or a procedure from the viewpoint of its usability in the public sector in the Czech Republic, (3) respect for the principles that are applied within the EU, especially the principle of sustainable development.

As mentioned above, the term **'Smart Administration'** has been clearly and unambiguously defined neither in professional literature, nor in EU documents. For the purposes of this publication, the term 'Smart Administration' will be understood as the elementary prerequisite for an instrument of good governance. Smart Administration is such exercise of governance that is based on consistent application of exi-

2 The publication is primarily intended for public administration bodies. However, we expect its use to be wider, including university courses that prepare future professional public administration employees. This fact is also reflected in the structure and the titles of the first chapter.

sting laws, effective exercise of public administration's competences and effective (undistorted) communication of all actors within public administration.

In this connection, we define the following **hypotheses**[3], which we leave to be practically verified (or refuted) by public administration actors:

(1) Smart Administration is a means of implementing the concept of 'good governance'. Methodologically, the ideas of Smart Administration can be based on various theoretical and methodological starting points. However, at their core there must always be the innovative management of public administration, verified through the criteria of the economic efficiency, the effectiveness and the purposefulness of the functioning of public administration. Possible starting points are included in this publication.

(2) The key to the successful implementation of Smart Administration in territorial development and administration at the local, regional and national levels is (a) selecting and pushing through the right (i.e. the most needed and the most important) investments, activities, measures and legislation, (b) implementing them in the right manner (which includes the necessity of measuring the accomplishment of objectives and, with respect to the activities as such, performing them efficiently, in good quality and within reasonable deadlines, as well as economically, effectively and efficiently from the financial point of view) and (c) communicating about them with the public in the right manner. In addition, such successful implementation is conditional on the principles of good governance being respected in these three areas, i.e. the principles of legality, equality, impartiality, proportionality, legal certainty, the principle of acting within a reasonable time limit, the principles of participation, respect for privacy and the principle of transparency.

(3) We consider the Smart Administration procedures and methods presented in the publication to be the basic prerequisite for the qualifications of public administration staff in order to make it possible for the analysed procedures and methods to be successfully applied in territorial administration and development (the administration and development of territorial units). In order to verify the hypothesis, the monograph includes the description of the 'doing the right things right' model and the description of the individual methods and approaches.

1.4. Set examination objectives and basic issues addressed in the publication

In view of the defined subject of examination, the following examination objectives have been set:

(1) carrying out an analysis and a critical evaluation of the individual approaches to creating Smart Administration; examining the possibility of using modern methods and innovations in the management of public sector organisations (especially territorial units) and suggesting ways to use them for purposeful territorial administration and development,

(2) characterising the Smart Administration strategy that was approved by the government of the Czech Republic in pursuance of the EU cohesion policy and territorial development,

(3) formulating the problematic questions (hypotheses) that are associated with Smart Administration and seeking their answers.

3 The presented hypotheses can also be subject to further scientific research in cooperation with public administration.

In connection with the set objectives, the authors of the publication have formulated the following **problematic questions:**

(1) How can Smart Administration be defined?

(2) Is it possible to prepare a selective overview of approaches and methods that are used within Smart Administration?

(3) What is the relationship between Smart Administration and cohesion policy?

(4) What are the main factors that formulate the approach to Smart Administration? What experience has been learned from foreign approaches, i.e. both in EU countries and elsewhere, to the modernisation of public administration?

(5) How has Smart Administration translated into documents in the Czech Republic?

(6) What are the general causes of a crisis or a failure? What are the instruments of territorial development?

(7) How to implement strategic planning and Smart Administration?

(8) What methods are used in public administration in the Czech Republic and abroad in order to improve its quality, effectiveness and performance?

(9) What is the relationship between Smart Administration and financial management?

(10) What methods can be recommended for analysing and defining problems in public administration?

1.5. Examination methodology and examination methods

A mix of non-normative (positive) and normative methodology is used in analysing the subject of examination and in fulfilling the examination objectives. There is prevailing positive methodology in particular in the analysis and description of problems, in the study of main theoretical sources and in the analysis of foreign experience. In this type of analysis, the basic criteria question is: "What happened? What is the status of the examined issue?"

Subsequently, we strive to formulate the 'best' (optimum) solution with respect to the selected criteria. We try to answer a normative question: "What target state would be suitable (desirable) for the Czech Republic?" – i.e.: "What can be considered the best possible solution with respect to Smart Administration principles?"

Within the above mix of positive and normative methodology, we use a number of scientific examination methods. Of these, it is above all the method of analysis that dominates, which was used in examining technical literature and EU documentation relating to the issue of Smart Administration. The method of analysis was also used in the secondary analysis of data concerning public administration management. With respect to general scientific methods, the method of deduction was also used, namely in drawing conclusions from already existing approaches to Smart Administration, and the method of induction in analysing individual primary and secondary data. In addition to the above general scientific methods, which belong to the equipment of the Smart Administration theory, a number of special scientific methods are used in the publication. These are subject to separate analysis that is dealt with especially in chapters 6, 7, 8, 9 and 13.

1.6. The structure of the publication

The publication is divided into four main parts. **Part one** (chapter 1) includes the theoretical and methodological starting points for examination the issue of Smart Administration, namely the subject of examination, it sets objectives, formulates problematic questions, examination methods and methodology.

The theoretical basis is **part two** (chapters 2, 3, 4, 5 and 6). **Chapter two** defines Smart Administration within the cohesion policy of the European Union, **describes cohesion policy** as a regional policy of the EU and describes the Czech Republic's position on cohesion policy and its future after 2013. Cohesion (regional) policy of the EU is one of the 'Community' or coordinated policies.

The topic of **chapter three** is the analysis of foreign approaches to Smart Administration (especially in EU countries and the USA). Documents of both the EU and the UN clearly show that the framework for Smart Administration methods that are used in territorial development is the concept of sustainable development. Within this context, the objective of the management of self-governing regions, towns and municipalities is to ensure their territorial administration and development and the quality of life of their inhabitants. This means such growth and quality of life that do not occur at the expense of future generations (for example Moldan, Hák, Rynda, Huba, Půček). Then, such a development is in line with the concept of sustainable development.

Chapter four analyses the strategies of previous governments in connection with public administration reform. It describes the Czech Republic's approach to Smart Administration It deals with the description and the evaluation of the government Strategy for Implementing Smart Administration in the Czech Republic and the approach to Smart Administration in the National Strategic Reference Framework and other documents. The basic model of the Czech government strategy for Smart Administration is the 'Public Administration Hexagon'. The Hexagon has 6 vertices, i.e. key areas of the functioning of public administration: Legislation, Organisation, Citizen, Civil servant, Technologies, Finance.

Chapter five describes the management approaches and principles that are used in territorial administration and development in the Czech Republic. The chapter uses output from the WB – Research for the Purposes of Regions programme . The chapter addresses the issue of management form the general perspective and defines the objective of public administration. The objective of the management of self-governing regions, towns and municipalities is to ensure their territorial administration and (sustainable) development and the quality of life of their inhabitants. The 'doing the right things right' model is described here, as well as the necessity of the orientation towards objectives (results).

Chapter six addresses Smart Administration in territorial development. It deals with the general causes of crisis and failure, the instruments of territorial development.

The theoretical part of the text is used as the basis for the **application part three,** comprising chapters 7 to 15. The theoretical part creates a clear framework for matching a general approach or method to Smart Administration methods and approaches in territorial development. The basic criteria are the usability of methods and approaches in territorial administration and development, innovativeness and respect for the principles of sustainable development. An overview of the methods is presented in the conclusion.

The topic of **chapter seven** is strategic planning in connection with Smart Administration. The success factors of strategic planning are examined and the Balanced Scorecard method is analysed that is considered (especially abroad) a successful method for strategy management.

The methods of quality and performance in connection with Smart Administration are the topic of **chapter eight.** Here, reasons are given for improving the quality and the performance of public administration and the context of the 'quality versus performance versus cost' conflict is presented. The chapter includes a description of the individual methods – the CAF model, EFQM, an ISO-compliant management system, the process approach, reengineering, benchlearning, the methods for measuring satisfaction, knowledge management etc.

Chapter nine analyses financial management and Smart Administration. It includes the issue of risk and financial management, the issues of the economical, effective and efficient exercise of public administration, controlling and reporting, and eliminating wasting through the Lean method – lean public administration.

Modern budgeting methods as an instrument of effective and purposeful financing in public administration are the topic of **chapter ten.** Critical attention is drawn to the persisting institutional way of financing public administration that results in ineffective and non-transparent management of public resources. Individual modern budgeting methods are characterised that allow for the transparent management of public resources and for monitoring their economical, effective and purposeful use in fulfilling the objectives of public policies.

The issue of project management, subsidy management and Smart Administration is the topic of **chapter eleven.** It deals with the systemic and procedural analysis of the creation and the implementation of projects and the management of subsidies in view of the creation and the functioning of Smart Administration.

Chapter twelve addresses the issue of sustainable development – environmental management in connection with Smart Administration.

The methods for analysing and defining problems in public administration are described in **chapter thirteen.** Individual key methods are introduced and the procedures for their use as auxiliary tools in creating Smart Administration are presented.

This issue is the basis for **chapters fourteen and fifteen.** These examine the Ministry for Regional Development's approach to Smart Administration and to prices for quality and performance in the Czech Republic.

In the **final part four** (chapter 16), synthetic conclusions and recommendations for the area of Smart Administration are formulated.

What we consider the **main benefit of the publication** is its contribution to opening the debate over the links of Smart Administration to cohesion policy and territorial development, the analysis and the evaluation of current approaches that can be applied (especially in self-government) within Smart Administration in territorial development, the proposed procedures and the application of methods that support the functioning of Smart Administration.

The publication includes the bibliography and the list of appendices that are available in full in the publication's electronic version. The publication is available in both the Czech and the English languages at www.mmr.cz, www.strukturalni-fondy.cz and www.fsv.ceses.cuni.cz.

At the same time, this publication is the output of the Research Project entitled the "Development of the Czech Society in the EU – Challenges and Risks", MSM0021620841, undertaken by the Faculty of Social Sciences and the Faculty of

Arts, Charles University in Prague between 2005 and 2010 and the Faculty of Economics and Business, Bratislava School of Law.

Key words:
Smart Administration, cohesion policy, modern management methods, quality and performance, knowledge management, financial management, doing the right things right

2. EU cohesion policy as a framework for Smart Administration

2.1. Cohesion (regional) policy of the EU

2.1.1. What is cohesion policy

The various names of cohesion policy: The European Union's cohesion policy is sometimes referred to, in full, as the "economic and social cohesion policy". In recent years, its territorial dimension has been gaining ground, which is sometimes reflected in its name – the "economic, social and territorial cohesion policy". Since cohesion translates into Czech as both "koheze" and "soudržnost", the term "politika soudržnosti" is also used in Czech for cohesion policy. Cohesion policy is a policy of the EU that promotes the development of regions, which is why it is sometimes referred to, both in the Czech Republic and abroad, as the "EU regional policy".

Cohesion policy is a Community policy of the EU: Cohesion policy is one of the 'Community' (i.e. coordinated) EU policies. Both its main focus and its fulfilment rest with the individual Member States, while the European Union bodies ensure its coordination and, above all, its correct implementation. This means implementation in accordance with the relevant rules (Commission regulations). The key regulation for cohesion policy implementation is Regulation No 1083. Its Czech version can be downloaded at http://eur-lex.europa.eu/LexUriServ/site/cs/oj/2006/l_210/l_21020060731cs00250078.pdf. The main beneficiaries of cohesion policy funding are Central and Eastern European countries, i.e. including the Czech Republic. From the viewpoint of EU budget expenditure, cohesion policy is comparable to the Common Agricultural Policy, its significance will grow and currently accounts for about a third of the EU budget. The Ministry for Regional Development (MRD) is the central coordinator for EU cohesion policy in the Czech Republic.

The focus of cohesion policy: Cohesion policy responds to the most pressing problems of both member and acceding countries. EU cohesion policy is oriented, in particular, towards decreasing the differences in the level of individual regions' development and reducing the extent to which the most disadvantaged (especially economically weak) regions lag behind. Through this policy, the richer countries contribute to the development of poorer states and their regions. The objective is to improve the quality of life for the entire EU population. cohesion policy thus reflects the principle of solidarity within the EU.

The issue of Smart Administration is included in the Convergence Objective, which is aimed at reducing the differences between regions. Public administration performance is considered a factor that contributes to improving the conditions for growth and employment. For further information see Chapter 4.

2.1.2. Cohesion policy development

The legal basis of existing EU cohesion policy is Article 158 of the Treaty establishing the European Community. It states that the objective of the Community is to promote its harmonious development and, to that end, it develops and fosters its activities aimed at strengthening economic and social cohesion. The Lisbon Treaty (currently in the process of ratification) extends the text and, in addition to economic and social cohesion, it also mentions regional cohesion.

The actual basis of EU cohesion policy dates back to 1986, when the Single European Act was signed. Subsequently, the policy also translated into the Maastricht Treaty. The development of cohesion policy within the context of the mains steps of European integration is shown in the following table.

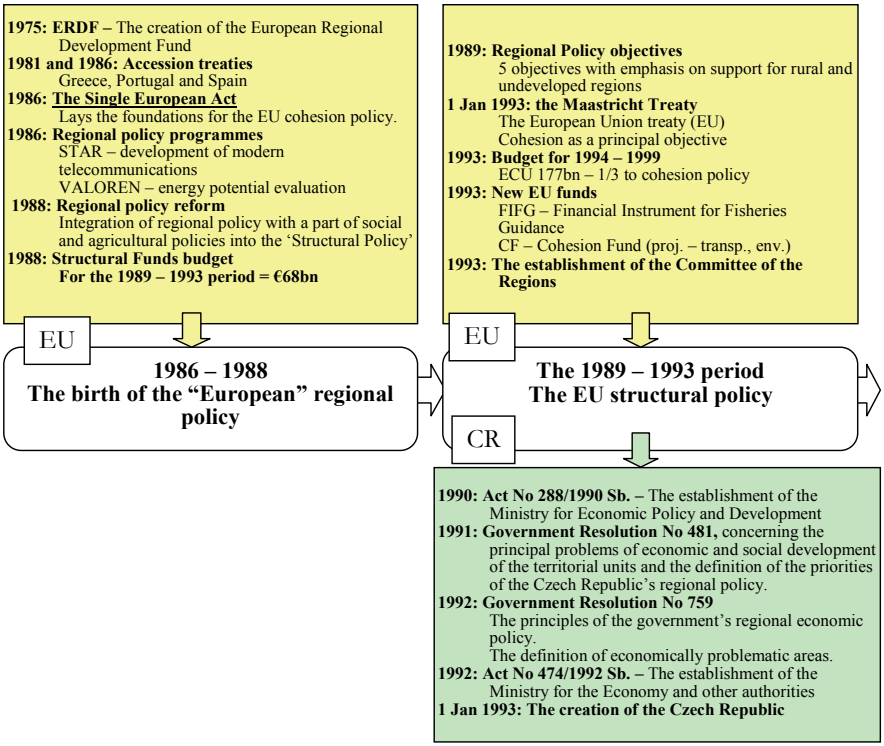
Tab. 1: The steps of European integration and the development of cohesion policy

	Main steps of European integration	EU cohesion policy development
1957	Treaty establishing the European Economic Community	General provisions of the preamble and Article 2 of the treaty
Early 1970s	The first enlargement – Denmark, the Irish Republic and Great Britain	The establishment of the ERDF
Mid 1980s	The "Iberian enlargement" – Spain and Portugal	Integrated programmes for the Mediterranean area
Late 1980s	The Single European Act – 1992 the Single Market Programme	Delors package I and the 1988 Structural Funds reforms
1993	The Treaty on European Union: the economic and monetary union	Delors package II and the establishment of the Cohesion Fund
1995	Accession of Finland, Sweden and Austria	The establishment of Objective 6 of the Structural Funds
1997 – 1999	Agenda 2000	Structural Funds reform
2000 – 2006	The enlargement process – 10 states, EU 24	Other reports of the Structural Funds – 3 objectives of cohesion policy

Source: www.businessinfo.cz, modified

The following figures show the most significant events within the EU cohesion policy and their translation into the Czech Republic's regional policy. In addition, cohesion policy creates a legislative framework for the key financial instrument of territorial development – the EU funds.

Fig. 1: The development of cohesion policy between 1986 and 1993 and its effect on the Czech Republic's regional policy

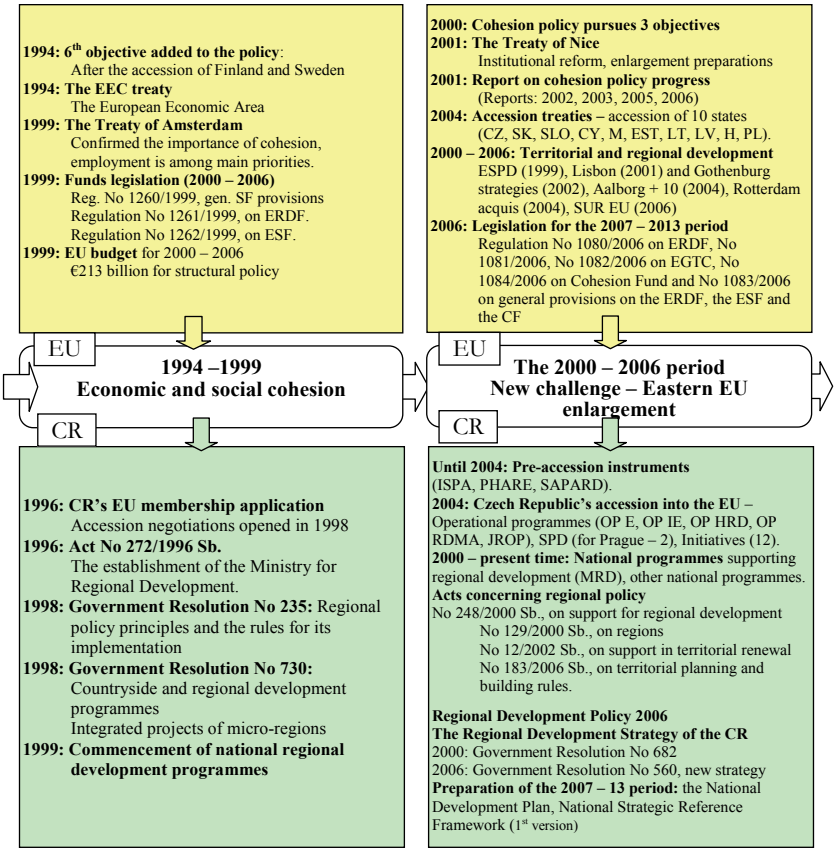


Source: Půček (2009a)

In 1996 the Czech Republic submitted its EU membership application and in 1998 accession negotiations were opened. The Czech Republic joined the EU in 2004. Before the accession of 10 new countries into the European Union in 2004, the biggest beneficiaries of funding within the policy were Portugal and Greece, as well as for example Ireland. After the accession, the social and economical differences between the least developed and the most advanced regions nearly doubled.

In 1999, legislation for the 2000 – 2006 period was adopted within the framework of the EU. In that period, cohesion policy had 3 objectives. Objective 1: Support for the development of regions that are lagging behind. Objective 2: Support for regions facing restructuring. Objective 3: Support for employment and education policies.

Fig. 2: The development of cohesion policy in the 1994 – 1999 and 2000 – 2006 periods and its effect on the Czech Republic's regional policy



Source: Půček (2009a)

The development clearly shows that the EU cohesion policy has, with a certain delay, translated into the Czech Republic's regional policy. In the 2000 – 2006 period, our legislation and documents were harmonised with EU legislation. Cohesion policy has a decisive influence on the formation of the Czech Republic's regional policy.

The term Smart Administration was used by the European Commission during the preparation of the 2007 – 2013 period. Member States that receive assistance from the Convergence objective were under the obligation to include the issue of Smart Administration (fostering public administration performance) into the national strategic reference framework and, subsequently, also into relevant operational programmes. This also applies to the Czech Republic (for further information see Chapter 4). Documents of the European Commission (e.g. the 4th Cohesion Report) make it clear that the public administration system (and its performance) is considered a significant factor influencing the growth rate, unemployment etc.

2.1.3. EU cohesion policy objectives for the 2007 – 2013 period

The objectives of the EU cohesion policy change in time, in response to the needs of the members, both existing and acceding. In the 2007 – 2013 period the EU cohesion policy has three objectives: (1) Convergence, (2) Competitiveness and Employment, (3) Territorial Cooperation. For these objectives, €308 billion has been allocated to the entire EU in Structural Funds and the Cohesion Fund in the 2007 – 2013 period, of which €26.7 billion has been allocated directly to the Czech Republic.

Objective 1 – Convergence provides support for the economic and social development of regions (at the NUTS II level), i.e. it aims to reduce the differences in the level of development of individual regions. One of the factors employed to speed up convergence is **improving public administration performance – i.e. Smart Administration.** Convergence is to be speeded up by (Commission – Regulation 1083): "...improving conditions for growth and employment through the increasing and improvement of the quality of investment in physical and human capital, the development of innovation and of the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment, and **administrative performance."** The objective is intended for states and their regions that meet the following two conditions simultaneously: At the national level, those states are to benefit under the Convergence objective whose per capita gross national income (GNI) is, i.e. in the reference period, less than 90% of the Community average. The Czech Republic meets this condition. At the level of regions, those regions are to receive funding whose gross domestic product (GDP) per capita is less than 75% of the average GDP of the entire European Union. In the Czech Republic, all NUTS II regions meet this condition except for Prague.

Objective 2 – Regional Competitiveness and Employment aims to support the improving competitiveness and attractiveness of regions that do not meet the above conditions for inclusion into the Convergence objective. Within the Czech Republic, the Capital City of Prague qualifies for this objective, whose GDP significantly exceeded 75% of the average GDP of the entire European Union in the reference period.

Objective 3 – European Territorial Cooperation supports cross-border cooperation of regions at the NUTS III level (Self governing regions in the Czech Republic) along all internal and certain external state borders. Support is also provided for interregional and transnational cooperation of regions.

Tab. 2: The distribution of funding between cohesion policy objectives for the 2007 – 2013 period

Objective title	Funding for the entire EU		Funding for the CR	
Convergence	€ 251.2 billion	81.54%	€ 25.88 billion	96,98 %
Competitiveness and Employment	€ 49.1 billion	15,95 %	€ 0.42 billion	1,56 %
European Territorial Cooperation	€ 7.8 billion	2,52 %	€ 0.39 billion	1,46 %
Total	€ 308.0 billion	100,00 %	€ 26.69 billion	100,00 %

Source: Kašparová, Půček (2009)

2.1.4. Regions for the EU cohesion policy – NUTS regions

System of territorial units for statistics (NUTS): In 1997, Constitutional Act No 347/1997 Sb., on establishment of higher territorial self-governing units (self-governing regions) was adopted in the Czech Republic. It came into effect as of 1 January 2000, creating 14 self-governing regions (including the Capital City of Prague).

There are different systems of administrative division in the individual Member States and, consequently, self-governing regions are also understood differently. The European Union therefore implemented the single Nomenclature of Territorial Units for Statistics (NUTS) in 1988. It was created for the purposes of data comparability, statistical monitoring and regional analysis. According to this system, three main levels or regional division of the territory are defined according to the population (see the following table).

Tab. 3: The population for NUTS regions

Level	Recommended min. population	Recommended max. population
NUTS I	3 million	7 million
NUTS II	0.8 million	3 million
NUTS III	0.15 million	0.8 million

Source: Kašparová, Půček (2009)

The self-governing regions that were created in the Czech Republic in 2000 proved to be too small, i.e. from the EU perspective, for providing support form EU funds. Self-governing regions correspond to the NUTS III level and, as a result of its accession to the EU, the Czech Republic had to implement an additional level of division, one corresponding to the NUTS II level, i.e. cohesion regions. It is the NUTS II level at which support from EU funds is directed.

In addition to the three NUTS I – III levels, there are also two lower levels of territorial and administrative statistical division, which are not decisive for the allocation of funding from EU funds. These are the 'local administrative units' (LAU). In literature, they are sometimes referred to as NUTS IV and NUTS V. The numbers of NUTS units within the Czech Republic's territory are shown in the following table.

Tab. 4: The numbers of NUTS units within the Czech Republic's territory

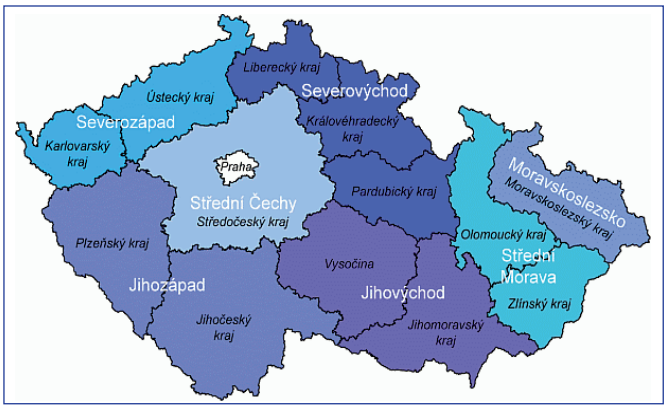
Level	Name	Number of units in the CR
NUTS I	**State**	1
NUTS II	Cohesion regions	8.
NUTS III	Self-governing regions	14 (including Prague)
LAU I (NUTS IV)	Districts	76 + 15 Prague districts
LAU II (NUTS V)	Municipalities	6249

Source: Kašparová, Půček (2009)

NUTS II cohesion regions in the Czech Republic: The conversion of 14 self-governing regions into 8 cohesion regions is laid down in Act No 248/2000 Sb., on regional development support.

The following cartogram shows 14 self-governing regions (NUTS III) and 8 cohesion regions (NUTS II): Prague (includes the Capital City of Prague), Central Bohemia (includes the Central Bohemia Region), North-West (includes the Karlovy Vary and the Ustí nad Labem Regions), North-East (includes the Liberec, the Hradec Králové and the Pardubice Regions), South-West (includes the Plzeň and the South Bohemian Regions), South-East (includes the Vysočina and the Southern Moravia Region), Central Moravia (includes the Olomouc and the Zlín Regions), Moravia Silesia (includes the Moravian-Silesian Region).

Cartogram 1 Cohesion regions (NUTS II) and self-governing regions (NUTS III) in the CR



Source: Kašparová, Půček (2009)

Funds as the key instrument of cohesion policy

Cohesion policy is implemented through:

- Two Structural Funds:
- The European Regional Development Fund (ERDF) and
- The European Social Fund (ESF)
- The Cohesion Fund (CF)
- And, in addition, through financial instruments:
- JASPERS: Joint Assistance to Support Projects in European Regions
- JEREMIE: Joint European Resources for Micro to Medium Enterprises
- JESSICA: Joint European Support for Sustainable Investment in City Areas

The principles of the functioning of the Funds are laid down by individual regulations of the Council of the European Community (No 1080, No 1081, No 1082, No 1083, No 1084). The most significant of these is Regulation No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (its Czech version can be downloaded from http://eur-lex.europa.eu/LexUriServ/site/cs/oj/2006 /l_210/l_21020060731cs00250078.pdf).

The European Regional Development Fund supports **investment** (infrastructure) **projects,** such as support for innovation potential, support for start-up entreprene-

urs, construction of transportation infrastructure, rehabilitation of old ecological burdens, renewable energy sources, investments into infrastructure in industrial zones, the implementation of electronic public administration, cooperation in border regions, the modernisation of the crisis management system etc.

The European Social Fund supports **non-investment (non-infrastructure) projects,** such as programmes for disadvantaged population groups, retraining the unemployed, creating and developing educational programmes, developing employment service institutions, improving the conditions for using ICT etc.

The Cohesion Fund is intended for supporting the poorer states, not for supporting regions. This distinguishes it from the Structural Funds. Similarly to the European Regional Development Fund, it is used to finance **investment** (infrastructure) **projects.** However, these are larger-scale projects oriented towards **environmental protection** and **transportation infrastructure** (railway, waterway transportation, motorways, transportation control).

2.1.5. The National Strategic Reference Framework and the operational programmes

In the 2007 – 2013 period, the Czech Republic can use a total of €26.7 billion. The basic principles for obtaining these funds are stated in the National Strategic Reference Framework (which can be obtained at http://www.strukturalni-fondy.cz/getdoc/197f55c7-ffeb-4f5c-ab81-26237ef6eaf1/Narodni-strategicky-referencni-ramec-CR-2007—2013-). The Smart Administration issue is addressed, above all, within the "Open, Flexible and Cohesive Society" objective. For further information see Chapter 4.

The specific rules for obtaining funds are defined by the individual operational programmes. In the Czech Republic, there are 8 thematic operational programmes (the total amount being € 21.3 billion), 7 regional operational programmes (an amount of € 4.7 billion), 2 programmes for Prague (an amount of € 0.34 billion) and some European territorial cooperation programmes (€ 0.39 billion has been allocated to the Czech Republic for cross-border cooperation). The distribution of the funding to the individual operational programmes is shown in the following table, with the Managing Authority column showing the acronym of the managing authority (MIT – the Ministry of Industry and Trade, MT – the Ministry of Transport, ME – the Ministry of the Environment, MLSA – the Ministry of Labour and Social Affairs, MEYS – the Ministry of Education, Youth and Sports, MRD – the Ministry for Regional Development, Reg. Council – the NUTS II Regional Council).

Smart Administration is mainly reflected in the Operational Programme Human Resources and Employment and the Integrated Operational Programme.

Tab. 5: Operational programmes for the 2007 – 2013 period

	Operational programme (OP) title	Managing Authority	Funding € million	%
Thematic operational programmes (8 OP)	OP Enterprise and Innovation	MIT	3 041, 3	11, 4
	OP Transport	MT	5 774,1	21,6
	OP Environment	ME	4 917,9	18,4
	OP Human Resources and Employment	MLSA	1 837,4	6,9
	OP Education for Competitiveness	MEYS	1 828,7	6,9
	OP Research and Development for Innovation	MEYS	2 070,7	7,76
	Integrated Operational Programme	MRD	1 582,4	6,04
	OP Technical Assistance	MRD	247,7	0,92
Regional operational programmes (7 ROP)	ROP NUTS II South-East	Reg.council	704,45	2,6
	ROP NUTS II South-West	Reg.council	619,65	2,3
	ROP NUTS II Moravia Silesia	Reg.council	716,09	2,68
	ROP NUTS II North-East	Reg.council	656,46	2,46
	ROP NUTS II North-West	Reg.council	745,91	2,79
	ROP NUTS II Central Bohemia	Reg.council	559,08	2,09
	ROP NUTS II Central Moravia	Reg.council	657,39	2,46
2 OP Prague	OP Prague Competitiveness	Praha	234,9	0,88
	OP Prague Adaptability	Praha	108,4	0,4
European territorial coop. (5 OP cross-border c., 4 other)	OP Cross-border Cooperation CR – Bavaria	MRD	55, 04	0,2
	OP Cross-border Cooperation CR – Poland	MRD	103,68	0,39
	OP Cross-border Cooperation CR – Austria	MRD	69,12	0,26
	OP Cross-border Cooperation CR – Saxony	MRD	67,2	0,25
	OP Cross-border Cooperation CR – Slovakia	MRD	56,55	0,2
	OP Transnational Cooperation	MRD	37,46	0,14
	OP Interregional Cooperation	MRD	-	-
	INTERACT II	MRD	-	-
	ESPON 2013	MRD	-	-
Total	24 OP + Interact II + Espon	MRD	**26 691,6**	**100**

Source: Kašparová, Půček (2009)

Further information can be found in the publication entitled "ABC of European Union Funds 2007 – 2013" (which is available at http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci /Dokumenty/Publikace/ Publikace-Abeceda-fondu-EU-2007-2013).2.2. Budoucnost kohezní politiky po roce 2013

2.2. The future of cohesion policy after 2013

2.2.1. A discussion on the future of cohesion policy

EU implements its cohesion policy within seven-year cycles. The financial amounts (both for the entire EU and for individual states), the objectives (the orientation and priorities) and the rules (in the form of regulations) are defined sufficient time in advance before the start of the new period. The preceding period took place between 2000 and 2006. The Czech Republic entered it in 2004. The current period is for the years 2007 – 2013.

At the Cohesion Forum in Brussels in September 2007, discussion has been launched on the future of cohesion policy after 2013. The discussion will also continue during the Czech EU presidency.

The future of cohesion policy after 2013 has three aspects:

(1) Financial (i.e. what will be the scope of support provided after 2013)

(2) The content-related dimension (i.e. what objectives will be supported and for whom will they be intended)

(3) Organisational (implementation rules: what changes and simplifications will take place to make the policy more effective.)

2.2.2. The Czech Republic's position on the future of cohesion policy

The Czech Republic has adopted the Framework Position on the Future of Cohesion Policy. The position makes it clear that (borrowed from the "Framework Position" and modified):

(1) Cohesion policy objectives: The Czech Republic **views the benefits of the EU cohesion policy thus far as highly positive.** The Czech Republic considers cohesion policy one of the most potent instruments for supporting economic development and strengthening competitiveness of the EU as a whole. The Czech Republic holds the view that both the existing differences between regions and other tendencies towards regionally imbalanced development create a real need for maintaining the cohesion policy's position within the system of the EU community policies. The Czech Republic supports retaining Convergence as the most significant cohesion policy objective that is intended for less developed Member States and less developed regions. The Czech Republic views **the number and the orientation of the existing objectives of the EU cohesion policy as adequate to current needs.**

(2) Territorial cohesion: The Czech Republic sees the explicit **inclusion of the territorial dimension into the cohesion policy** as part of territorial cohesion as an acknowledgement of the significance of this aspect that is already present in the cohesion policy per se. Taking account of its territorial specifics, the Czech Republic views the territorial cohesion aspect, above all, as:

- The translation of an integrated approach into the strategic and programming documents and an integrated approach in territorial planning (using community and landscape planning)
- The support for transportation and telecommunication infrastructure
- Strengthening the development of internal peripheral regions
- Intensive cooperation aimed at removing political barriers that hinder the development of these regions
- Urban issues in the promotion of the principle of the polycentric settlement network

- Sustainable development of rural areas with emphasis on strengthening the cultural identity, landscape formation and developing environmentally friendly economic activities
- Fostering coordination between sectoral and territorial policies and forming territorial partnerships

(3) Rural development: The context of both the cohesion policy and the Common Agricultural Policy makes it clear that both these policies have a territorial character and are oriented towards the development of rural areas. Therefore, The Czech Republic highlights the importance of ensuring the sustainable development of the countryside through the application of mutually complementary interventions within the cohesion and the rural development policies with emphasis on retaining rural landscape's natural and cultural values, both material and immaterial. While discussions on the future character of rural support are at a very early stage, the Czech Republic holds the view that any further decisions in this area should be made on the basis of an evaluation of the effectiveness of the existing rural support structure.

(4) Eligibility criteria: The Czech Republic considers the **existing criterion for the eligibility** of regions for the Convergence objective according to the per capita gross domestic product (GDP) measured using purchasing power parity **to be objective** and easily measurable. Similarly, the Czech Republic views the existing eligibility criterion for receiving funding from the Cohesion Fund according to the per capita gross domestic product (GDP) at purchasing power parity to be the most suitable for the given purpose.

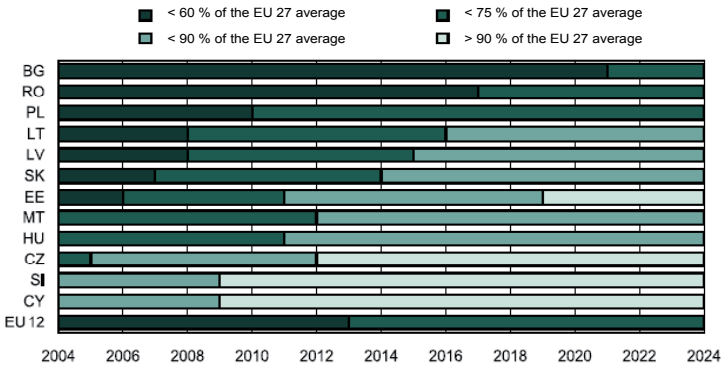
(5) Simplification and effectiveness of the implementation process: The Czech Republic considers the process of simplifying the implementation to be a step in the right direction. However, there still is room for further improvement and work on further simplification must continue; above all, it is necessary that the existing national procedures and arrangements should be respected to the largest extent possible and that the administrative load should not be increased, i.e. both on the part of the public administration in the individual Member States and on the part of the beneficiaries.

(6) Partnerships and the role of regions: The Czech Republic will support further strengthening of the subsidiarity and partnership principles. The Czech Republic welcomes any effort to further decentralise cohesion policy in favour of strengthening the role of regions and municipalities, as well as any effort to reduce to minimum the bureaucracy associated with using the resources. Therefore, the Czech Republic will continue to support local and regional authorities with a view to improving the efficiency of public administration and public services, developing new forms of cooperation between regions and cooperation between partners within regions.

2.2.3. Eligibility for obtaining support after 2013 for regions of the CR

The breakdown of financial resources within the EU cohesion policy (see Table 2) clearly shows that the largest amount of funding is intended for the Convergence objective. For the Czech Republic, the amount totals €25.9 billion in the 2007 – 2013 period, i.e. 97% of the funding. Based on the course of the European-level discussions on the future of the cohesion policy thus far, it can be assumed that the Convergence will remain the most significant objective after 2013 as well. It is therefore important who will be able to benefit from the Convergence objective after 2013. As part of the 4th Cohesion Report, the projected development of the new Member States' GDP (the following figure) was published. According to this scenario, the Czech Republic would reach 90% of the GDP in 2012.

Fig. 3: Projected GDP per capita (PPP) in new Member States, 2004 – 2024



Source: European Commission – The 4th Cohesion Report

GDP development scenarios have been published as part of the Framework Position of the Czech Republic on the Cohesion Policy. Based on the Framework Position, the most likely alternative of the development of per capita GDP (as the eligibility criterion for receiving funding from the Convergence objective for regions) is a development corresponding to roughly the same pace of catching up with the relevant EU 27 average as displayed by the Czech Republic over the past 8 years. It can be assumed that the growth of the Czech economy will be at least twice as high as in Germany (the country with the largest proportion in the GDP of the EU 27). Having that in mind, it is important that the reference period for regions will be the 2007 – 2009 period (the average for these years) and for Member States the 2008 – 2010 period. The GDP development scenario is shown in the following table.

Tab. 6: GDP development scenario until 2015

EU-27 average (%)	2001 100	2002 100	2003 100	2004 100	2005 100	2006 100	2007 100	2008 100
Prague	**145.6**	147.9	154.3	154.8	160.3	165.8	171.5	177.4
Central Bohemia	**65.4**	67.3	69.4	71.5	70.5	72.6	74.7	76.8
South-West	**64.8**	64.2	67.1	69.7	70.0	71.6	73.2	74.9
North-West	**55.9**	56.4	60.2	61.0	61.0	62.5	64.1	65.8
North-East	**62.1**	61.7	63.0	64.0	64.9	65.8	66.7	67.7
South-East	**64.3**	63.8	66.8	67.4	68.1	69.3	70.5	71.8
Central Moravia	**56.7**	56.5	58.5	59.7	59.8	60.8	61.8	62.8
Moravia Silesia	**54.8**	54.2	56.9	61.5	65.3	68.8	72.5	76.3
EU-27 average		2009 100	2010 100	2011 100	2012 100	2013 100	2014 100	2015 100
Prague		183.6	189.9	196.4	203.2	210.2	217.4	224.9
Central Bohemia		79.1	81.4	83.8	86.2	88.7	91.3	94.0
South-West		76.6	78.3	80.1	81.9	83.8	85.7	87.7
North-West		67.4	69.2	70.9	72.7	74.6	76.5	78.4
North-East		68.6	69.6	70.6	71.6	72.6	73.6	74.7
South-East		73.0	74.3	75.6	77.0	78.3	79.7	81.1
Central Moravia		63.8	64.9	66.0	67.1	68.2	69.3	70.4
Moravia Silesia		80.4	84.7	89.2	94.0	99.0	104.3	109.8

Source: MRD - The Framework Position of the Czech Republic on the Cohesion Policy

It is likely that in the reference period of 2007 – 2009, no more than three of the Czech Republic's current 7 convergence cohesion regions will reach a level higher than the value currently corresponding to 75% of the average GDP in the EU. These are the Central Bohemia, the South-West and the Moravia Silesia Regions. Under the currently valid rules, these self-governing regions would lose the possibility to obtain support from the Convergence objective.

2.3. The position of Smart Administration within the EU cohesion policy

With regard to Czech documents concerning cohesion policy, for the 2007 – 2013 period, the term Smart Administration appears in the **National Strategic Reference Framework** (for further information see Chapter 4.2), in the Operational Programme Human Resources and Employment and in the Integrated Operational Programme. The Smart Administration issue has been included in these documents based on requirements of the European Commission during the process of consulting and negotiating the 2007 – 2013 programming period. The requirement was formulated through Regulation No 1083 from the year 2006.

Regulation No 1083/2006

The principles of the EU funds' functioning are laid down through regulations of the Council of the European Community. These include Regulation No 1080, No 1081, No 1082, No 1083 and No 1084 from the year 2006. The most important regulation is Regulation No 1083/2006 laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

Relationship to Smart Administration: Article 27 of Regulation No 1083 stipulates that a national strategic reference framework shall include the action envisaged for reinforcing the Member State's administrative performance, i.e. Smart Administration. Public administration performance is considered a factor that contributes to improving the conditions for growth and employment (see Article 3 of Regulation No 1083).

The Territorial Agenda of the EU

The document entitled Territorial Agenda of the EU was adopted on 24 and 25 May 2007 in Leipzig. It defines a new task – strengthening territorial cohesion as the third dimension of cohesion policy (Territorial Agenda): "We see the future task "Territorial Cohesion" as a permanent and cooperative process involving the various factors and stakeholders of territorial development on political, administrative and technical levels. … EU Cohesion Policy should be able to respond more effectively than it has done so far to the territorial needs and characteristics, specific geographical challenges and opportunities of the regions and towns." The Territorial Agenda builds upon the three main aims of the European Spatial Development Perspective (ESDP): (1) development of a balanced and polycentric urban system and a new urban-rural partnership, (2) securing parity of access to infrastructure and knowledge, (3) sustainable development, **prudent administration** and protection of nature and cultural heritage.

Relationship to Smart Administration: The document builds upon prudent public administration. At the same time, it speaks about the need for new forms of territorial governance and partnership between rural and urban areas. It assumes that territorial cohesion can only be achieved through an intensive dialogue[4] and cooperation between all actors of territorial and regional development (all levels of public administration, entrepreneurs, the scientific community, non-profit organisations). The process of actors' cooperation is called territorial governance. The document also supports creating regional groupings (networks and clusters) that promote growth and innovation (for innovative approaches see Chapter 5.1).

4 This is incorporated into the "do things right" and communicate them in the right way model – see Chapter 5.

The Leipzig Charter

The document entitled "Leipzig Charter on Sustainable European Towns" was adopted on 24 – 25 May 2007 in Leipzig during German EU presidency. The Charter addresses the protection, strengthening and further development of towns. Territorial development (i.e. also urban development) is dealt with in Chapter 6.

Relationship to Smart Administration: "Integrated urban development" is considered to be the key instrument in urban development, i.e. including the corresponding forms of public administration and management (see Annex 2). Towns are supposed to contribute to their residents' quality of life (quality of life – see Chapter 12.2) and to enhancing their attractiveness as business locations. This is also promoted through improving urban administration and governance (the Leipzig Charter): "Integrated urban development strategies, cooperative urban development management and good governance can contribute towards a purposeful use of the potential of European towns particularly with regard to competitiveness and growth, as well as to reducing disparities within and among neighbourhoods." The methods, tools and approaches outlined in this monograph may facilitate urban development.

The Fourth Cohesion Report

In 2007, the European Commission published its "Fourth report on economic and social cohesion" entitled "Growing Regions, Growing Europe". The report builds on experience gained during the 2000 – 2006 period and, in addition, includes experience from negotiations on national strategic reference frameworks for the 2007 – 2013 period. The Czech version of the report is available at http://ec.europa.eu/regional_policy/sources/docoffic/official /reports/cohesion4/pdf/4cr_cs.pdf

The fourth cohesion report states that:

- Convergence is occurring at national and at regional level and estimates suggests that these trends will continue.
- Cohesion policy supports growth and job creation also outside the convergence regions (convergence regions are supported from the Convergence objective).
- Cohesion policy supports the innovative capacity of Member States and regions.
- Investment in people has high returns.
- Cohesion policy leverages capital in support of productive investment.
- Cohesion policy has fostered **integrated approaches to development.**
- Cohesion policy helps to improve **the quality of public investment.**
- Cohesion policy has promoted **partnership** as a key **element of good governance.**

With respect to Smart Administration, the cohesion report states, among other things (i.e. the 4th cohesion report): "Effective institutions at national, regional and local level are an important aspect of the competitiveness of Member States and regions and of the attractiveness as places in which to invest and live."

The Fifth Cohesion Report

In June 2008, the European Commission published the "Fifth progress report on economic and social cohesion" entitled "Growing Regions, Growing Europe". The report sums up the results of the debate on the future of cohesion policy after 2013 (from September 2007 to February 2008). The second part of the report presents an analysis of main regional trends.

From the Smart Administration perspective, the report states that cohesion policy in the 2007 – 2013 period contributes to the modernisation of public administration, builds up capacity for strengthening the principles of 'good governance' and partnership. For more information on the issue of good governance see Chapter 3.1.

General conclusions

EU documents make it clear that the issue of Smart Administration needs to be understood as (1) good governance and, at the same time, as (2) well thought-out (often integrated) territorial development.

3. Foreign approaches to Smart Administration

3.1. Factors that shape the approach to Smart Administration

3.1.1. Studies and good practice examples

In recent years, concepts and approaches in the areas of public administration modernisation and good practice examples concerning the development of territorial units (locality or regional studies, best practice studies) have been examined by economists, sociologists, urbanists, regionalists, geographers etc. These often tend to be rather short case studies focusing on approaches that are being applied or experience gained in public sector organisations, and studies of the development of towns and regions. These studies can thus be divided into two groups, depending on their content: (1) those that address the issue of good governance (i.e. examples and approaches concerning management styles, methods of providing public services etc.), and (2) those that deal with the development of a given area (e.g. that address the instruments of territorial development).

These studies are prepared in order to (1) determine why some public sector organisations are more successful than other similar and comparable organisations, (2) present theoretical instructions or recommendations towards a certain style of behaviour that results in problem solving or stimulates development, and (3) determine why some locations and regions develop faster than others. Some works also address the actors of development – states, regions and towns as public corporations, institutions, and also their institutional structures, relationships and management styles (for example Borja, Castells, 1997; Osborne, Gaebler, 2006; Blažek, Uhlíř, 2002; Rumpel, 2005; Půček, 2006).

Modernisation of public administration is addressed by institutions such as the OECD, the World Bank, the UN, the European Commission etc. Both the theoretical concepts in the area of public administration management and the national experience with their implementation vary greatly. A comparison of these concepts can be found for example in Wright, Nemec 2003.

There are a number of factors which shape the approach to Smart Administration in territorial administration and development. The above monograph attaches significance to the following factors: (1) a crisis of the welfare state, (2) New Public Management (NPM), (3) the integration processes within the EU and the changing approach to regional development of the EU, (4) development in the spirit of sustainable development, (5) the development of knowledge of the society and knowledge management, (6) pressure towards improving the quality of life, human well-being, (7) perception by the population – people's satisfaction.

3.1.2. Crisis of the welfare state – transition to liberal policy

Since the 1970s there has been a crisis of the welfare state. Until then, the welfare state had been successful not only in ensuring full employment, but also in providing health care, education and social services, and it also supported municipal housing. The main impact on the welfare state crisis came in the form of the economic recession of the 1970s.

The crisis of the welfare state has lead to the transition from the welfare state to liberal-oriented policy – the transition from Fordism to Post Fordism (e.g. Daněk,

Jehlička, Tomeš, 2000; Rumpel, 2002). This lead to the shift from mass production to flexible specialised production based on differentiated demand. This translated into other levels as the change "from a dominantly hierarchical management structure to a network structure, the transition from the dominance of the industry to the dominance of services, from exogenous regional policy (redistribution) to strengthening the endogenous policy (maximum use of internal resources), from state interventions to emphasis on the individual's own responsibility etc." (Rumpel, 2005).

The main representatives of this change were Ronald Reagan in the USA (President from 1980 to 1988) and Margaret Thatcher in Great Britain (Prime Minister from 1979 to 1990). the free market policy of Britain's Prime Minister Thatcher was centred around four principles: (1) the public sector is too extensive, costly and it interferes too much with both the economy and people's lives; (2) the market, as an allocation mechanism, is much more sensitive and effective than any public sector planning; (3) in almost all spheres of the economy, private economic entities are more effective than state enterprises; (4) reducing the dependence of companies and households on the public sector will result in rediscovering the traditional values, in particular individual initiative, independence and entrepreneurship. (see also e.g. Blažek, Uhlíř, 2002; Rumpel, 2005).

3.1.3. New Public Management and Good Governance

Another significant factor influencing the attitude to Smart Administration is the process of public administration modernisation.

The 1980s and 1990s witnessed the deepening of the liberalisation of international trade, the deregulation of internal markets, the restructuring of the revenues and expenditures of national budgets and the creation of incentives for attracting foreign investment. Neoliberal economic theories were applied in managing the society, placing emphasis on (1) the functioning of the market, (2) removing obstacles to business and enterprise (i.e. creating a stimulating environment for those who are active, innovative and who generate wealth), (3) the activities of innovative private actors, (4) the existence of a stable legislative framework for the activities of business entities, (5) the individual's initiatives, freedoms and responsibility, and also (6) these theories are opposed to state interventions into the economy and the life of the society (e.g. Blažek, 1993; Daněk, Jehlička, Tomeš, 2000; Rumpel, 2005).

The application of these principles led to the need to "modernise" public administration. Among other things, this resulted in the New Public Management (for example World Bank 1996; Adamčík, 2000, p. 7 – 10; Rumpel, 2002, p. 27). Logically, all the above makes it necessary for territorial units to behave effectively and to operate with good quality and performance.

In one OECD report (see World Bank 1996; Rumpel, 2002, p. 28), New Public Management is focused on performance under the conditions of ongoing public sector decentralisation. New Public Management can be characterised by the following trends and approaches: (1) decentralisation, (2) performance and effectiveness, (3) free choice and competition, (4) orientation towards customers, (5) motivating and managing human resources, (6) E-government, (7) improving the quality of regulation, (8) restoring the health of the centre (the "streamlined management"), (9) transferring well proven management styles from the private sector, (10) improving cooperation between the private and the public sectors.

Once these principles are implemented into practice, the result is a new type of public sector (Osborne, Gaebler, In Vacek, 2005, p. 5): "A new-type public institution

is streamlined, decentralised and innovative. It is flexible, adaptable and quick to learn under changing conditions. It uses competition and it orientates towards its customers and uses other non-bureaucratic approaches in order to solve problems in a manner that is as effective and creative as possible." One of the main problems of the public sector is performance: "Public sector is exposed to unprecedented pressures towards changes in performance management." (Creelman, Harvey, In Vacek, 2004, p. 3). "The transformation of performance management systems is a question of developing new skills and capabilities. While new management processes and measuring systems are essential, they are not sufficient in the long run. Unless the organisational culture changes, none of the other innovations has any chance of success." (Creelman, Harvey, In Vacek, J., 2004, p. 51.)

The principles of Good Governance

The New Public Management concept is the basis for Good Governance, which has been mentioned in UN documents since 2000. Subsequently, the European Commission issued the White Book on good governance, which failed to generate much discussion among the Member States (see http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0428en01.pdf). In June 2007, the Council of Europe issued Recommendation CM/Rec (2007) to member states on good administration (see http://www.radaevropy.cz/index.php?option=com_docman&task =doc_download&gid=55&Itemid=97).

Good administration (good governance) must be ensured by the quality of legislation, which must be appropriate and consistent, clear, easily understood and accessible, provided that public administration services must satisfy the basic needs of society. It is necessary to respect the interests of those who are both directly and indirectly affected by a service or an action (protection of the community at large).

Good governance does not concern only legislation, it **depends on the quality of the organisation and its management,** which must meet requirements of efficiency, effectiveness and economy (see Chapter 9).

Good governance respects the principles of legality, equality, impartiality, proportionality, legal certainty, the principle of acting within a reasonable time limit, the principles of participation, respect for privacy and the principle of transparency.

While applying the principles of good governance, member states should (incorporated into the "doing the right things right" and communicating them in the right way model – see Chapter 5):

(1) Ensure that objectives and their target values (performance indicators) are defined and evaluated regularly. Public administration must be forced to look for the best ways to achieve the best results possible;

(2) supervise and optimise public services in order to make them economical, effective and purposeful. If necessary, it must be assessed whether they should be replaced or stopped;

(3) Perform adequate internal and external monitoring of the administration and the activities of public agents;

(4) support the right to Good Governance, in the spirit of the above principles, at the national, regional and local levels. (Note: This is one of the reasons why this monograph has been put together.)

3.1.4. Integration processes within the European Union and changes in the approach to regional development of the EU

Integration processes, i.e. their consequences, have a considerable impact on good governance and territorial development. The process of European integration can be understood in either its broader or its narrower sense: "In the broadest sense, it includes the process of shaping all significant European economic, political and security structures such as the European Union, the Council of Europe, the Western European Union etc. including the consequences for the member states. This broad concept of European integration also includes a significant involvement of transatlantic structures (in particular NATO) and worldwide structures (especially the system of the UN and the OECD organisations). In the narrow sense, the process of European integration concerns the establishment and the development of the European Communities and later the European Union, also including all consequences and implications." (Daněk, Jehlička, Tomeš, 2000, Chapter 8, p. 8).

The Czech Republic's effort to join the European Union had a significant effect on governments' approach to the modernisation of public administration (see Chapter 4). This translated into the national, regional and local levels. It was reflected not only in the harmonisation of the Czech law with the legislation of the EU, but partly also in a changed approach and behaviour of both institutions and individuals. This created an important framework for applying modern management methods.

Within the EU cohesion policy, the term "Smart Administration" first appeared during the preparations of the 2007 – 2013 cohesion policy period. This is due to the fact that a high-performance and modern public administration is considered an important factor for the growth of both GDP and competitiveness, as well as for increasing employment. The issue of EU cohesion policy is described in Chapter 2.

Individual **development stages** (general approaches) **within regional development** of the EU are shown in the following table. In addition, it summarises the main implications for the prevailing theories of regional development, and also for the concept of regional policy.

The last approach shown in the table is the institutional approach: "Institutional economics has had a significant impact on and reflection in the local and regional development policy" (Rumpel, 2005, p. 4).

Since the early 1980s, the concepts of institutional economics have been forcing their way into local and regional development theories (Rumpel, 2002, p. 14): "These include for example the industrial district theory (Brusco, 1982; Becattini, 1987), the learning regions theory (Lundvall, 1992; Feldman, Florida, 1994; Saxenian, 1991) and the institutional thickness theory (Amin, Thrift, 1994). Emphasis is placed on cooperation, creation and dissemination of innovations. In this context, the concept of networking is significant – cooperation between actors who share a common interest and implement a common project. The principle of the functioning of a network – i.e. a network of relationships – is the mutual exchange of information and services for mutual benefit (see e.g. Blažek, Uhlíř, 2002). Institutional theory places emphasis on institutional changes, on the gradualist transformation of local institutions. Quality local and regional 'institutional thickness' is considered a necessary prerequisite for development and adaptation to changes in the outer environment in the sense of supporting permanent restructuring."

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Tab. 7: Main development stages of the theories of regional development and regional policy

General approach	Prevailing theories of regional development	Regional policy
Neoclassical (1920 – 1940)	Regional balance theory (mainly the so-called neoclassical models)	Basic idea – "workers for work", instruments increasing the mobility of the workforce are used
Keynesian (1950 – 1975)	Regional imbalance theory (e.g. cumulative cause theory, growth pole theory)	"work for workers", instruments supporting the inflow of investments from the private and the public sectors into problematic regions (investment subsidies, relocation of institutions)
Neo-Marxist (1970 – 1985)	Regional imbalance theory (e.g. theory of unequal exchange theory)	Proposals for the measures were not formulated by the Neo-Marxists, while in some socialist countries (e.g. the former CSSR) regional policy was highly effective, this was at the expense of reducing economic performance and losing the external competitiveness of the country
Neoliberal (1975 –)	Theories of regional balance and imbalance (e.g. new growth theory, path dependence)	"Support for local initiative", support for SMEs, the decentralization of competencies, deregulation measures
Institutional (1980 –)	Regional imbalance theory (e.g. of industrial district theory, learning regions theory)	"Cooperation and innovation", support for SMEs, spreading innovations, networking, a learning-based gradualist change of local institutions

Source: Blažek, Uhlíř (2002, p. 14)

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According to Blažek a Uhlíř (2002, p. 56), the main benefits of institutional approaches are: "…those studies that describe the forms of institutional structures that increase the success of economies. Other areas in which the institutional theory has successfully developed include, i.e. besides clarifying the disparities in the economic growth of states and regions, analysing the motives behind the behaviour of econo-

mic actors, the learning process at the level of both individuals and companies, creating technological innovations, the relationship between law and the economy, and the role of political power and interest groups in the functioning of the economy." If towns and regions start behaving in the sense of "learning regions" or start applying other similar approaches, they can significantly stimulate their development. The issue of territorial development is addressed in Chapter 6.

Endogenous versus exogenous regional development

In local and regional development, it is significant whether development is based on an endogenous or an exogenous strategy. **The endogenous approach** is based on mobilising the internal resources – at the local level this means making use of the local conditions (e.g. the effort to change the atmosphere in the region, create conditions for the learning, the participation and the inclusion of entities and for strengthening self-confidence, the effort to raise positive expectations, create a network of entities that foster active adaptation). According to Ježek (2005, p. 13) endogenous strategy is based on the knowledge, "…that regional actors themselves are best able to specify strategic objectives and to control the development process. Local and regional actors (residents, entrepreneurs, politicians) are considered the driving force behind regional development. Innovative capacity in the broadest sense and the processes of collective learning (see the 'learning region' concept) are significant here." This approach is particularly important in rural regions where "…the principal issue is direction towards implementing the model of endogenous development. The issue is supporting local and regional economies on the basis of sustainable (environmentally sound) development" (Ježek, 2005, p. 4).

As opposed to the above, the concept of **exogenous development** is based on external incentives, namely on tax relief, investment and other subsidies, low wages, extreme investments etc. According to Rumpel (2005b, p. 4): "Exogenous redistribution policies are relatively weak and both towns and regions are 'forced' to use their internal, endogenous potential (resources that have not been utilised thus far) actively and in a better way. In order to improve the utilisation of the endogenous potential, it is necessary to create new efficiently functioning institutions and to look for more flexible methods of managing territorial development."

3.1.5. Development in the spirit of sustainable development

In 1987, the World Commission on Environment and Development (operating as a UN body) issued its report entitled "Our Common Future". According to Jehlička (Daněk, Jehlička, Tomeš, 2000), the report introduced into common usage the term sustainable development as a generally acknowledged principle of policy at all levels – from local to international. The report defines sustainable development as "development that satisfies the needs of the present without compromising the possibility of future generations to satisfy their own needs." The 1992 United Nations Conference on Environment and Development, which took place in Rio de Janeiro, produced among other things the Rio Declaration and also Agenda 21. Agenda 21 is a blueprint of action whose implementation is intended to bring to life the idea of sustainable development. Since 1992, the principles of sustainable development have been incorporated by many states (including the Czech Republic) into their concepts.

In this text, the creation of the concept of sustainable development and its promotion and incorporation into the behaviour of governments, regions and local units are considered a factor in forming Smart Administration in territorial admi-

nistration and development. This is because sustainable development defines how governments, regions and local units should approach their development. For these purposes, 'development' in the sense of sustainable development means (Dobrovolný, Herber, Hynek, 2004) "…development in a positive, desirable direction, towards a better state, is a fundamental and generally accepted objective of the society, this is not an issue of quantitative growth, but rather a qualitative change." Ivan Rynda defines sustainable development as follows (Rynda, 2002, In Huba, p. 61): "Sustainable development is a comprehensive set of strategies which make it possible to satisfy human needs, material, cultural and spiritual, using economic instruments and technologies, while fully respecting the environmental limits; to make this possible within the global scope of today's world, their social-political institutions and processes must be redefined locally, globally and regionally." The issue of sustainable development is further addressed in Chapter 12.

3.1.6. The development of the knowledge society and knowledge management

Nowadays we live in the era of the knowledge society (e.g. Drucker, 2004; Castells, 1993). Changes are ever faster. The Lisbon strategy (adopted at a European Council summit in Lisbon in March 2000) aims to "make Europe the most competitive and the most dynamic knowledge-based economy in the world, capable of sustainable economic growth" by 2010. Castells (1993) defines the knowledge society as "a society whose sources of economic productivity, cultural hegemony and political and military power depend on the ability to obtain, collect, store, analyse and create information and knowledge". Petr Rapant (2002, p. 1) understands it as follows: "Information society usually means a society in which the quality of life and the prospects of social changes and economic development depend, to a growing degree, on information and its use." The development of information and communication technologies has a considerable effect on regional development and on the management of territorial units. This leads to a wide range of process and product innovations. In order to manage their development and a make decisions, territorial units need information and necessary knowledge to be available to them.

Therefore, over the past 15 years, the term knowledge management has appeared. Castells sees knowledge management as control over information, knowledge and information technology (Castells, 1993). Knowledge management can be defined as follows: "It is not about creating some encyclopaedia that includes everything that men have ever known. Knowledge management is much rather about monitoring those who know and developing such corporate culture and technology that will make them talk." (Collinson, Parcel, 2005, p. 18). For further information see Chapter 8.3.

From the viewpoint of territorial development, knowledge management is closely linked with for the use of geographical information systems (hereinafter GIS). Nowadays, GIS represent a significant part of digital information technologies. Their purpose is to link up geographical (position) information with relation databases. Also, it is possible to perform spatial analyses effectively (e.g. Rapant, 2002; Čerba, 2004; Půček, 2006).

3.1.7. Pressure towards improving the quality of life, human well-being

Increasing the quality of life of their citizens is a common goal of governments of states, regions and towns alike: "If we assess the success of the entire process of European integration, we inescapably reach the conclusion that besides economic prosperity, quality of life (with public opinion being one of its significant indicators) is the other main criterion." (Viturka, 2003, p. 10).

Prof. Ivanička (1983, p. 342) distinguishes between five sub-systems of quality of life in the town: social, economic, environmental, cultural and personal-perceptual. He states that quality of life depends on a large system of relationships such as relationships within social groups, at work, at the place of residence, relationships ensuing from the income bracket, environmental effects etc.

In his strategic audit of the Czech Republic, Prof. Potůček (2005, p. 11) makes frequent reference to the term quality of life, which he understands as follows: "We understand quality of life as a broad concept that relates to the overall level of well-being among individuals. It is the product of the mutual effects of social, economic, health and environmental conditions concerning human and social life. Material living conditions, health, human relations and the inclusion of an individual into the wider society, those are the most important areas that determine the quality of human life." At the same time, his audit uses as a starting point the fact that (Potůček, 2005, p. 11) "the quality and sustainability of life is the basic criterion within our evaluations of the development of the Czech society thus far and within contemplations of the possible and desirable futures of the Earth". For further information see Chapter 12.2.

Quality of life, or rather the issue of human well-being and its linkage to the services provided by ecosystems are examined by the Millennium Ecosystem Assessment. This report was commissioned by Secretary-General of the United Nations Kofi Annan in 2000. The assessment as such was performed between 2001 and 2005. The study lists the individual components of human well-being (security, basic material for a good life, health, good social relations, freedom of choice and action) and their relation to services provided by ecosystems.

The level of the quality of life in a town or a region is considered one of the most significant localisation factors for investors' decisions when determining locations for new production or services. Not everyone perceives quality of life in the same way. Also, local conditions need to be taken into account. "Local authorities must identify local attributes of quality of life, use them as a starting point and promote them in relation to the business sphere. This process has actually already been launched by many local self-governments." (Blakely, 1994, p. 67). Besides the quality of life, the environment and infrastructure, the factors affecting the quality and the sustainability of a location also include investments: "the price of labour, costs for energy, the availability of contractors, roads, educational and training services, the quality of local self-government, …" (Blakely, 1994, p. 55). As shown in the citation, Blakely includes the quality of local self-government among the significant factors, i.e. the ability of a town's leadership to manage and innovate the development of the town and the region.

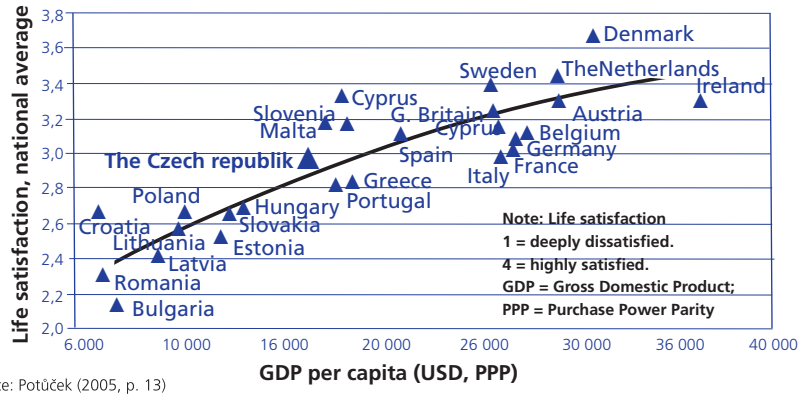
3.1.8. Perception by the population – satisfaction

While applying performance and quality methods in companies, the orientation towards the customer and customer satisfaction plays a significant role. In recent years, the same has been promoted in the public sector. This shift is one of the significant factors that shape the approach to Smart Administration.

Satisfaction is connected with an individual's attitudes, with his/her perception of values, i.e. with his/her inner environment (e.g. Vencálek, 1998; Huba, 2000; Vavroušek, 1994; Půček, Kocourek, 2005). Voters' satisfaction or dissatisfaction with the management of the state and territorial units translates into election results. However, successful management requires obtaining feedback from the citizens more frequently. In the case of territorial units, this is made possible for example through (1) applying the principles of Local Agenda 21 (e.g. Rektořík, Šelešovský, 1999; Huba, 2001; Moldan, Hák, Kolářová, 2001; Půček, Trezner, Třebický, 2005), (2) performing surveys of attitudes, perception and satisfaction (Půček, Kocourek, 2005), or (3) using the techniques of territorial marketing (Rumpel, 2002; Půček, Kocourek, 2005). The citizens' satisfaction with the life in a municipality or a region is determined by these citizens' perception with respect to the degree of the fulfilment of their requirements for the quality of life in their town or region.

Various surveys of citizens' attitudes and satisfaction are performed in EU countries. The following figure shows the relationship between the income level (according to the GDP – gross domestic product per capita) and the average life satisfaction. Satisfaction was assessed using a scale from 1 – deeply dissatisfied, 4 – highly satisfied.

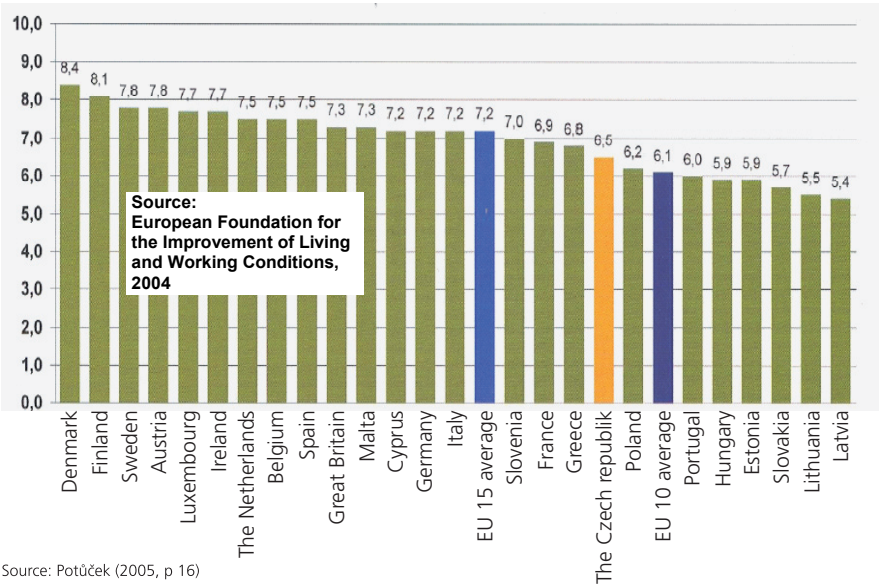
Fig. 4: Life satisfaction



Source: Potůček (2005, p. 13)

The overall life satisfaction of the inhabitants of individual EU countries on a scale form 1 – 10 (where 1 = deeply dissatisfied, 10 = highly satisfied) is shown in the following figure. The question asked was: "All things considered, how satisfied would you say you are with your life these days?" Potůček (2005, p. 16) evaluates our satisfaction as follows: "Czechs evaluate their current living conditions better than the average for the new EU member states. Only the citizens of Malta, Cyprus and Slovenia are generally more satisfied than Czechs. Higher satisfaction is also displayed by the citizens of all the old member states except for Portugal."

Fig. 5: Overall life satisfaction in EU member state



Source: Potůček (2005, p 16)

3.2. Prevailing European approaches to and experience with public administration management

Public administration management is influenced by a number of factors. Of these, it is historical tradition that plays an important role in the choice of the method of public administration management. This can be illustrated using the example of public administration management in continental Europe. There, the exercise of public administration has traditionally been based on the dominance of the central state and law, where the task of state employees is to implement state policy "within a clearly defined framework of laws and rules that are oriented from top to bottom" (Wright, Nemec, 2003, p. 22). The law clearly defines the tasks, the responsibilities and the decision-making powers. Decisions are made within a process that is stipulated by law. Until the analysis of a given problem is performed, decisions are made by the authority within whose sphere of competence the given problem is. This can also be demonstrated on the example of the Czech Republic. The state employees' areas of competence are derived from the state bodies' areas of competence as defined by law (Czech National Council Act of 8 January 1969). In addition, "the rationality of all administrative decisions is determined by the basic criteria stipulated in federal and state constitutions, which contain strict and binding decisions concerning the rationality of the system, the rationality of procedures and the rationality of activities" (Becker, 1983). The rationality of activities in public administration is thus ensured through public servants' adherence to laws, regulations and decrees. This legalist approach is characteristic of all countries of the continental EU. In exercising

public administration, civil servants use as a starting point a detailed knowledge of the constitution, laws, regulations and decrees.

Within existing European concepts of and approaches to public administration management, an important place belongs to the theory known as the **New Public Management** (NPM)[5]. The NPM theory represents a new theoretical approach to public administration management. Its principal originators include Aucoin (1990 p. 115-137), Pollit (1990) and Walsh (1995).

The ideas behind the NPM were born in the past three decades as a starting point for the reform of public administration in English speaking countries (Great Britain, New Zealand, Australia). In New Zealand, the basis of the reform was the transition from an organisational structure that was based on departmental management rules centred around accomplishing objectives (Verheinen, 1997, p. 466). The basic principle is that no central body may perform conflicting roles. The relationship between the ministries and chief executive officers is based on contracting. The basis for financing is the method of result-based budgeting[6]. The minister acts in the role of a manager who is politically responsible to the citizens for providing the demanded public goods and public services. The contract contains the quantitative and qualitative parameters of a contract. Calculation is performed in costs and output, as we know it from business-sector accounting. Cost benefit analysis thus provides clear information about every performance unit (about every employee), what value was contributed by the employee in return for the resources spent. This has led to a considerable reduction in the number of employees in central state administration and to an increase in effectiveness. However the administrative fragmentation of such reformed public administration proved to be a downside, as administration became divided into a number of small, task-oriented units. This gave rise to difficulties in coordination. These were supposed to be eliminated through the Senior Executive Service system. However, the Senior Executive Service system failed to produce the desired improvement in horizontal coordination. Australia has had similar experience with NPM.

In Europe, the NPM concept was applied in Great Britain. However, the course taken by Great Britain was not as forceful as the course taken by New Zealand. In contrast to New Zealand, which embarked on a radical decomposition of public administration into numerous small performance-oriented units, British reforms took the course of a less radical public administration restructuring in the form of establishing agencies. In addition, the assumption was not accepted that organisation were not supposed to address potentially conflicting tasks. British experience with the NPM shows that higher effectiveness in public administration is attainable. However, the problem is that the principles of the NPM result in a reduced coordination capability in public administration. This is clearly reflected in particular within the area of implementing measures. Even so, the NPM represents a new theoretical approach to public administration management as opposed to the "classical" approaches (see the Table below).

5 As shown within the following analysis, the idea of New Public Management can be used to demonstrate the international character of science.

6 It is elaborated in detail in the work. Ochrana, F. (2003): Veřejná volba a řízení veřejných výdajù. Praha. Ekopress.

Tab. 8: A comparison of the NPM and the "classical" approaches to public administration management

Aspect	The usual (classical) way of addressing the problem	The solution proposed by the NPM
Management principle	Hierarchical, strictly specified.	Result-based management, decomposed production systems
Management method	Pyramid management, organisationally strictly defined	Comparatively autonomous management. Comparatively autonomous organisations function relatively independently on the principle of employment contracts.
Decision-making method	Hierarchical decision-making, planning of decision implementation.	Dichotomous method of decision-making divided into central strategic activities and services provided in a flexible (operational) manner.
Management form	Process-oriented public administration management	Result-oriented management monitored through ex-ante and ex-post reviews on the basis of performance indicators.
Provision of public services	Collective provision of public and social services predominantly on the basis of a universal product.	Flexible provision of public and social services in the form of individualised products. Services can also be privatised or provided by various entities on contractual basis.
Approach to public resource management	Production units of public administration have no economic interest in a rational and economic management of public resources.	Production units of public administration operate on the "value for money" principle
Relationship to assets	Asset ownership	Asset management
Budgeting	Institutional ("requirement") financing.	Result-oriented budgeting.

Source: The autors

The above table provides a basic overview of the characteristics of the NPM. Also, it is intended to show the importance of the following considerations: the NPM concept can have a wide range of modifications that need to be adjusted to the legislative framework of the given country, and it is also desirable that it should be adjusted to such country's cultural traditions. Obviously, given the conditions in the Czech Republic, it would be a mistake to rush into implementing the NPM concept without careful thought. In spite of that, we believe that the NPM can be an inspiration for the Czech Republic, especially with respect to the approach to public resource management. In this area, legislative framework has already been created in the Czech Republic that regulates public resource management on the "value for money" principle[7]. The Czech Republic has the right conditions for establishing a system for managing the performance of public administration (performance-oriented) and for supporting such a system through a reform in the area of target-oriented budgeting. In that case, it is necessary to adopt an amendment to the budget rules[8]. Despite the fact that the NPM concept is criticised by some authors (e.g. from the positions of the neo-Weberian critique, see e.g. Dreschler, 2005, p. 94-108) and reconciliation is sought in constituting public administration as multi-level governance (Brown, 1978), we hold the view that it is, above all, the NPM concept

7 Namely Act No 320 of 9 August 2001 on financial control.
8 This concerns Act No 218 of 27 June 2000 on budget rules and amending some related acts (the Budget Rules).

that allows for consistent verification of the functioning of public administration as a productive system that is intended to serve the citizen. The basic criteria for verifying the functionality of public administration are the indicators of economy, effectiveness and purposefulness. Therefore, we still consider the NPM concept to be viable. The NPM concept makes it possible to scrutinise not only the competence of public administration and the quality of services that are provided to the citizens, but also the rational management of available resources.

3.3. The US's experience with effective public administration management

The issue of effective public administration management is also addressed in English speaking countries. Besides the experience from New Zealand mentioned above, this section also examines the issue of effective public administration management in the USA.

Under the conditions existing in the USA, the theory and practice of public administration management were significantly influenced by the ideas of Taylorism as early as the beginning of the 1920s. Public administration was viewed as an area of enterprise, with the principal issue being how to best apply the methods of corporate management within public administration. This approach is known under the acronym **POSDCORB** (planning, organizing, staffing, directing, coordinating, reporting and budgeting). This approach sees public administration management as a process of government activities that may be improved on the basis of Taylor's concept of scientific management, where the key points of government activities are economy and effectiveness.

Although Taylorism may have supplied public sector managers with a variety of management methods, it reduced management to merely applying these methods. It completely sidelined the vast area within government decision-making that is associated with social, political and ideological factors in decision-making. That is why the Taylorist approach to public administration gradually started to attract growing criticism and was replaced with an integral approach to public administration management. There, government decision-making is perceived as a decision-making process that is influenced by a wide spectrum of social conditions and actions of actors.

The second half of the 1970s witnessed the birth of the **new managerial approach to public administration** as a criticism of the obsolete method of managing public administration (V. Ostrom)[9]. The key element within the approach is the citizen as the customer of public administration. This concept[10], whose main theoretical proponents included above all Osborn and Gaebler, started to be implemented into practice under the Clinton administration. The implementation of this approach has continued until the present day. In practice, it is known as the **Reinventing Government** movement. The objective is to create such a system of public administration management that will make it possible for the citizens to benefit as much as possible from what the government does" (for further information see Chapter 3.4.).

From the theoretical approach perspective, the Reinventing Government concept is varied. We may include in it the theory known as the New Public Service (Denhardt, Denhardt, 2000). **The New Public Service** recommends such a manner of governing in which he key role is played by state employees who implement the citizens' interests and serve them in satisfying their public needs.

9 V. Ostrom published his critique in the book entitled The Intellectual Crisis in American Public Administration that came out in 1973.
10 Its characteristics are presented in R. Stillman (2000).

The new role of employees in exercising public administration is founded on the proposition that state employees are not supposed to strive to manage or control the society, but above all else to serve the citizens in satisfying their public needs. Public administration employees are supposed to feel responsible for solving the citizens' problems and to satisfy the citizens' requirements arising out of the competence of public administration.

The theory of public administration management was also significantly affected by the theory known as the **Entrepreneurial Government** (see Osborne, Gaebler, 1993). The Entrepreneurial Government theory is also part of the Reinventing Government concept. The Entrepreneurial Government criticises the bureaucratic approach to public administration. It formulates the new approach to public administration as the issue of "rediscovering public administration". It is based on the critique of the classical approach to public administration that has been characteristic since the era of the New Deal. This approach was based on a hierarchically organised structure according to clearly defined organisational rules and principles of financing. However, the Entrepreneurial Government theory claims that such a model has outlived its usefulness, because under the conditions of global competition and the knowledge society, a stiff bureaucratic system is inflexible, producing average results and leading to bureaucratic control. It thus loses touch with the real needs of the citizens, whose public needs are supposed to be fulfilled by public administration (Osborne, Gaebler, 1993).

Therefore, it is necessary to create a **new model of public administration,** i.e. at **all levels of government.** In the USA, such a model was theoretically elaborated in the form of the **entrepreneurial administration** and since 1993 has been implemented under the supervision of Vice President Al Gore in the form of a public administration reform.

According to the Entrepreneurial Government concept, the model for public administration management is the creative application of corporate administration, i.e. adopting its adaptability, efficiency and effectiveness of operation with respect to the demand of the citizens and taking account of the limiting fact of permanently limited public resources.

The objective of such reformed public administration, i.e. one functioning on the principle of the Entrepreneurial Government, is to flexibly respond to the citizens' demand for public services and public goods, to ensure their high quality and to flexibly respond both to changes in the citizens' demand and to their stimuli and suggestions. In this manner, the principles of public administration should approximate the principles of the functioning of a prosperous private enterprise. The ideas of and experience from the Entrepreneurial Government concept can surely be an inspiration to the management of public administration in the Czech Republic as well. However, they obviously cannot be adopted as a whole, because there is a different legislative and cultural environment in the Czech Republic.

The "boundless faith" in the omnipotence of the market[11] that can "provide a solution to all problems of public administration" is the weakness of the Entrepreneurial Government concept. However, it is safe to say that the Entrepreneurial Government concept provides numerous suggestions as to how to reform public administration and implement the change from a bureaucratic-administrative public administration management to management oriented towards the citizen's needs and towards the effective exercise of public administration. Anyway, such approaches can be found in the reform approaches adopted by several EU countries under such names as New Public Management (Great Britain, Ireland), Big Operation and Big Efficiency Operation in Holland and Budget Rationalisation ("Rationalisation des Choix Budgétaires") in France.

11 For critique of such an approach see Potůček, M. (1997): Nejen trh. Role trhu, státu a občanského sektoru v proměnách společnosti. Praha. Sociologické nakladatelství.

3.4. The US's experience: Reinventing Government

In their "Reinventing Government", Osborne and Gaebler defined ten types of new government (suitable in particular for "government" at the regional and local levels). In particular situations, they recommend that these approaches be joined or combined (Osborne, Gaebler, In Vacek, 2006 – see http://www.mmr-vyzkum.cz/INFOBANKA/zaverecna-zprava-projektu-2946.aspx):

Catalytic government: Steering rather than rowing

Public administration must change and redefine its role. Ever more often it will be the catalyst and the facilitator, it will define problems and subsequently mobilise resources: scarce, public and private resources of others in order to solve these problems and to achieve the community's objectives. It must learn how to solve problems through catalysing actions within the community – how to steer rather than row.

Community-owned government: Empower rather than serving

The citizens should not only be clients of provided services. Clients are people who are dependent on those that help them and guide them, who are also controlled by them. Clients see themselves as "insufficient" and wait to be helped. By contrast, citizens are people who understand their own problems. They are aware of their links to others and have faith in their own abilities. Good citizens make up strong communities.

Competitive government: Injecting competition into service delivery

When service providers have to compete, they strive to maintain low prices, be quick in their response to changing needs and satisfy the customers' needs. Competition is a driving force towards innovation. In public administration it is not advisable to promote competition between individuals – this can lead to disputes and conflicts between people. Competition between teams improves performance and promotes creativity.

Mission-driven government: Transforming rule-driven organizations

Most public organisations are not driven by their missions, but rather by their rules and their budget. There are rules for anything that might go wrong and there is a budget item for every sub-category of costs. The glue that holds public organisations together is like epoxy resin – it comes in two tubes: in one there are the rules and in the other budget items. Once mixed, you get concrete. Therefore, entrepreneurial government eliminates both tubes – it disposes of both old rules and budget items. It defines a mission and for the mission it creates a budget system and rules, providing space for employee initiative towards accomplishing the mission. Mission-driven organisations allow their employees flexibility to implement the organisation's mission in a way which they consider the most beneficial.

Result-oriented government: Funding outcomes, not inputs

If institutions are funded according to their inputs, they have little reason to try to improve performance. However, if they are funded according to results, performance becomes very important. Bureaucratic organisations that do not measure their results only rarely achieve any; public expenditure rises, yet without corresponding results. However, times change – the citizens have no desire to pay ever increasing taxes and charges for services whose quality deteriorates. Responsibility and performance are terms that are becoming more and more common even in the public sector. Organisations that measure their results – even if they do not link them to remuneration and funding – find themselves transforming due to this information. This leads to the following principles: (1) what gets measured gets done, (2) if you do not measure results, you cannot tell success from failure, (3) if you cannot see success, you cannot reward it, (4) if you cannot reward success, you are probably

rewarding failure, (5) if you cannot see success, you cannot learn from it, (6) if you cannot recognize failure, you cannot correct it, (7) if you can demonstrate results, you can win public support.

Customer-driven government: Satisfying the needs of customer, not the bureaucracy

The word customer is only rarely used in the public sector. Public organisations often do not even know who their customers are. However, public institutions still provide standardised "services for everyone" and customers that are used to freedom of choice are not satisfied. In order to cope with these changes, the public sector must transform. It must perform customer surveys and use other methods to determine the needs of its customers (e.g. to use the methods of quality and performance). It is important to seek answers to questions such as: (1) What are the important things which the citizens of our district expect from us? (2) How do we find out to whom we should provide our services? (3) What shall we do to satisfy the expected services? (4) How can we tell if we were successful?

Enterprising government: Earning rather than spending

Many public sector employees are trained in spending money. Only few are trained in how to earn money. Aside from economic departments, few people think of revenues and almost no one thinks of profit. The typical public sector employee believes that they work for the public good and that the public should be grateful to them. They are often right. However, if they gave as much thought to how to earn money as they give to how to spend it, this would unleash their creativity. Two examples of how to use this principle: (1) spend to save: investments with high returns, (2) turning managers into entrepreneurs.

Anticipatory government: Prevention rather than cure

Traditional bureaucratic public administration is oriented towards solving existing problems and is fully occupied with providing services – rowing – while it has no time left for steering. Since it is programmed to consider government to mean the provision of services by professionals and bureaucrats, it waits for the problem to escalate into a crisis and then it offers help to those that are in a crisis situation – homeless people, drug users, and those who failed to complete their school education. It dedicates an extensive amount of resources to treating the symptoms – more policemen, more social services etc. – while only marginal attention is given to the strategy of prevention.

An anticipatory government follows two basic principles: (1) using a gram of prevention instead of a kilogram of treatment; (2) trying to incorporate foresight (creating scenarios, strategic planning) into its decision-making .

Decentralised government: From hierarchy to participation and teamwork

50 years ago, centralised institutions were necessary. Information technologies were primitive, remote communication was slow, employees were comparatively little educated. The environment was relatively stable, there was enough time for information to "force its way" up the hierarchy, and for orders to "fall through" onto lower levels. However, at the present, information is practically limitless, communication is instant, education high and the environment changes rapidly. Basically, there are two ways to respond to this: (1) strengthen the centre, add bureaucrats and IT experts and try to cope with the growing complexity, (2) streamline the overloaded centres, share decision-making with more people, authorise subordinates to make independent decisions.

Market oriented government: Leveraging change through the market

One of the most effective steering methods is structuring the marketplace: creating incentives that guide people in the direction in which the community wants to go, they do most decision-making by themselves. Structuring the marketplace in order to accomplish a public objective is actually the exact opposite of leaving things up

to the "free market" – this is actually a market intervention. Structuring the marketplace is a way to influence private decisions in favour of achieving collective objectives. What needs to be done in order to make the market work: (1) Supply. There must be sufficient supply of services to ensure competition. (2) Demand. There must be demand for the service. Customers must have resources for buying services and must wish to buy these services. For example, many individuals cannot pay for retraining programmes, while many companies are unwilling to pay for such programmes due to concerns that the retrained employees might look for jobs with their competitors. (3) Availability. The services and their providers must be available and accessible to the consumer. Often, mediation is necessary. (4) Information. Customers must have access to information about the price, the quality and the risk of a given service or product. (5) Rules. Normally these are determined by the government. (6) Supervision. Those who might want to abuse the lack of information among people must be aware that they may get caught and punished.

3.5. A comparison of Czech public administration and the EU countries

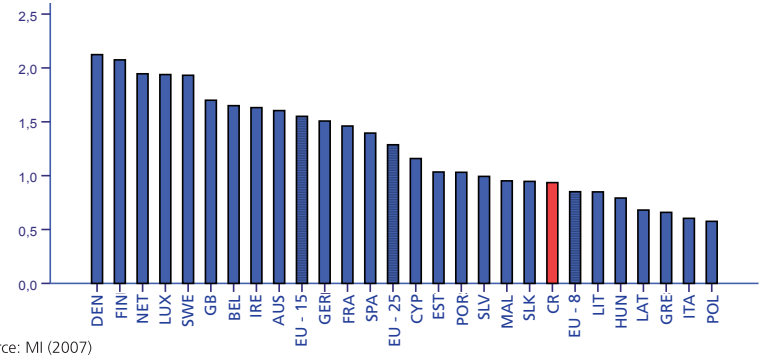
3.5.1. Administration effectiveness and performance

Regulation No 1083/2006, concerning general provisions of cohesion policy makes it clear that Smart Administration (i.e. public administration performance) is considered a factor that contributes to improving the conditions for growth and employment (EC Regulation 1083).

Presently, it is possible to evaluate the performance of individual towns and public sector organisations. However, it is difficult to find objective indicators for evaluating the performance and the quality of public administration as a whole. One of the projects addressing the quality of public administration is for example the World Bank project entitled "Governance Matters". The comparison currently includes 209 countries.

The government effectiveness indicator (see the following charts): The indicator is based on an evaluation of the assumptions used for formulating and implementing the corresponding policies. The assumptions include (1) the credibility of government during the implementation of the policies, (2) the quality of providing public services, (3) the authorities' independence from political pressures, (4) the quality of bureaucracy, (5) the competence of public servants. (MI 2007)

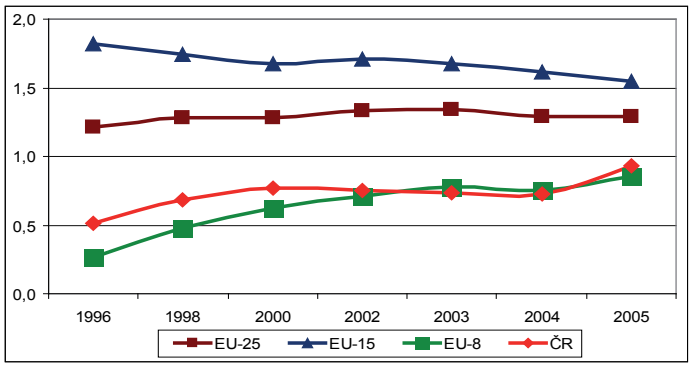
Chart 1: Government effectiveness in 2005



Source: MI (2007)

The chart clearly shows that in comparison to other EU countries, the Czech Republic's position was not very favourable. The EU-25 average is 1.31. The average for the old EU-15 is 1.59. From the new member states, Estonia, Slovenia and Slovakia display better scores.

Chart 2: A comparison of government efficiency development



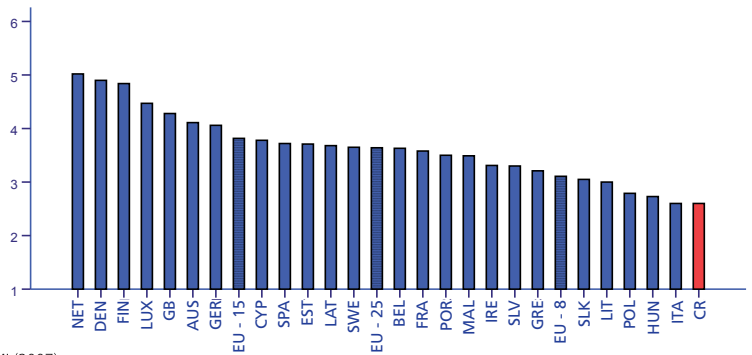
Source: MI (2007)

The development clearly shows that the position of the Czech Republic between 2000 and 2004 stagnated and the Czech Republic lost its comparative head start relative to the other post-communist countries (EU-8).

3.5.2. Wasted public funding index

The index of wasted public funding is published by the World Economic Forum. In this evaluation, the Czech Republic ranked 23rd in 2005, ahead of Italy and Poland. In 2006, the Czech Republic took the last place of all EU member states (see the following chart). The scale in the chart is to be interpreted as follows – 1 means that public funding is wasted. The value 7 means that public funding is expended on necessary goods and services (WEF 2006, MI 2007).

Chart 3: Wasted public funding index in 2006



Source: MI (2007)

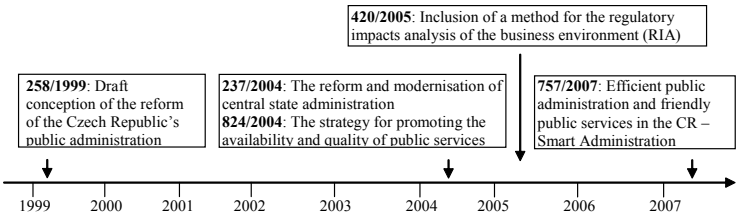
4. Description of the Czech Republic's approach to Smart Administration

4.1. The government Strategy for Implementing Smart Administration in the Czech Republic

4.1.1. The strategies of previous governments

Since the 1990s, the Czech Republic's governments have strived to reform public administration and, as part of the reform efforts since 1999, to improve the quality and the performance of public administration. The most significant resolutions from 1999 to 2007 concerning the modernisation of public administration are displayed on the timeline.

Fig. 6: A timeline of government resolutions prior to Smart Administration



Source: The authors

The characteristics of individual government resolutions are provided in the following table.

Tab. 9: Resolutions concerning the modernisation of public administration between 1999 and 2007

No	Resolution title	Characteristics
258 / 1999	Draft conception of the reform of the Czech Republic's public administration	Based on the variants described in the conception, a combined model of exercising public administration was selected
237 / 2004	The reform and modernisation of central state administration	The directions of reforming the central state administration: rationalising processes, improving management, improving quality, implementing and improving civil service, rationalising the financing of central state administration
824 / 2004	The strategy for promoting the availability and the quality of public services	The document addresses the provision of modern, effective and quality public services at the territorial level. Public services are divided into material services, administrative activities and financial supports.
420 / 2005	A proposal for including a method for the regulatory impact analysis of the entrepreneurial environment into the process of regulatory preparation (RIA)	This document describes the Regulatory Impact Analysis (RIA) method, the scope of its implementation and the process for its introduction
757 / 2007	Efficient public administration and friendly public services	The Strategy for the Implementation of Smart Administration in the 2007 – 2015 Period..

Source: The authors

Other significant resolutions concerning the modernisation of public administration include the Economic Growth Strategy (Resolution No 1500 of 16 November 2005) and the National Reform Programme of the Czech Republic 2005 – 2008 (Resolution No 1200 of 14 September 2005).

4.1.2. The rationale behind the inception of the Smart Administration Strategy

The "Efficient Public Administration and Friendly Public Services" document subtitled "The Strategy for the Implementation of Smart Administration in the 2007 – 2015 Period" was approved through Resolution of the Government of the Czech Republic No 757 of 11 July 2007. The text of the Strategy is attached to the electronic version of this publication and is also available at http://aplikace.mvcr.cz/archiv2008/sprava/gremium/dokumenty/strategie.pdf.

From the government's viewpoint, the reasons behind the creation of the Strategy can be divided into internal and external. **The internal reasons include** in particular (1) the government parties' interest in improving competitiveness through, among other things, increasing public administration efficiency, (2) the pressure or demand on the part of citizens, entrepreneurs and non-profit organisations, and (3) examples provided by self governments that also strive to ensure effectiveness, performance, quality and citizen satisfaction.

Efficient public administration is one of the government's priorities (an internal reason). In the government's statement of policy, reference is made to: (1) increasing the efficiency of public administration, (2) the transparent and efficient performance of agendas, (3) public administration as a service to the citizens, (4) reducing regulation and bureaucratic burden, (4) stabilising territorial public administration and starting the process and organisational analysis, (5) implementing instruments of electronic communication (conditions for the creation of basic registers, capacity and safe communication infrastructure, contact points). Subsequently, the statement of policy translated into the government's individual objectives that are implemented by individual ministries and regularly evaluated.

The external reason was the European Commission's requirement that the issue of Smart Administration should be included into the topics addressed within the framework of the Structural Funds, i.e. into the National Strategic Reference Framework of the Czech Republic (see Chapter 4.2).

4.1.3. The description and evaluation of the Strategy – the objectives of the Strategy

The Strategy consists of 4 main parts. In practical terms, **the objective of the Strategy** is defined in two places. In the introduction (Chapter 2), it is outlined as follows (MI 2007): "The objective of the Strategy … is to ensure a coordinated and effective way of improving public administration and public services using resources from the Structural Funds in the 2007 – 2013 programming period. The objective shall be accomplished through ensuring the coordination and the synergic effect of interventions implemented under the Operational Pro-

gramme Human Resources and Employment, the Integrated Operational Programme and national resources. At the same time, the Strategy creates a framework for coordinating all processes leading to more efficient public administration and friendly public services, whether these are financed by the Structural Funds or not." In other words: The principal objective of the Strategy is thus to effectively and meaningfully "spend" European money in order to achieve a "coordinated and effective method of improving" public administration and services. At the same time, a framework is to be formed for coordinating all improvement processes.

While defining the objectives of a strategy, it is recommended that the 'SMART' rule be followed:

S – Specific (with an exact specification of what is to be achieved), M – Measurable (with quantifiable parameters – output and impact indicators), A – Achievable (achievable within the given time frame and environment), R – Realistic (realistic in relation to the resources that are available for the accomplishment), T – Timed (limited within a feasible timing, best with defined milestones). This rule is partly reflected in Chapter 4.2 (Visions and objectives), in which global and strategic objectives are defined. The global objective is defined as follows (MI 2007, p. 57): "Foster the Czech Republic's social and economic growth and improve the quality of life of its citizens." Having that in mind, I recommend that a comparison be made with the objective of public administration as defined by the author of this chapter (Půček, 2005): "The objective of public administration is to improve the quality of life of the citizens while respecting the principles of sustainable development and, at the same time, improve the performance and the quality of public services provided by authorities." Individual objectives are further detailed through specific objectives (see the Table below).

Tab. 10: The objectives and indicators of Smart Administration

Global objective			**Indicator**
Foster the Czech Republic's social and economic growth and improve the quality of life of its citizens through improving the efficiency of public administration and public services.			Satisfaction of the public with the functioning of public administration and public services, measured through sociological surveys
No	**Stat. object.**	**Specific objective**	**Indicator**
1.	Improving the quality of policy making and implementation	Rationalising administrative procedures to increase their efficiency and transparency, minimising bureaucratic elements within pub. administration (organisational reengineering including the revision of existing structures and agendas, redesigning competences and functions). Introducing a strategic planning system in public administration, insuring its coordination with financial management	Output: The number of analysed agendas/institutions. Effect: The number of abolished/relocated agendas, institutions and functional positions. Output: The existence of a single methodology for creating strateg. doc. at the public administration level; the existence of capacities for ensuring the creation and implementation of strategies at the public administration level. Effect: The percentage of public budgets allocated on the basis of adopted strategies.

Global objective			Indicator
2.	Improving and simplifying regulation in order to create attractive and business-friendly environment for entrepreneurs and investors, both domestic and foreign	Performing analysis of existing regulation in order to identify and eliminate excessive regulation.	Output: The number of analysed regulations. Effect: The number of abolished regulations; the reduction in the total regulatory and administrative burden; the percentage of alternative regulatory means used.
		Reforming the legislative process in order to make creating regulation transparent, introducing Regulatory Impact Assessment.	Output: The existence of legislative software, the existence of a positively binding register of existing regulation with remote access. Effect: The percentage of performed RIAs in the total number of presented legal regulations. The percentage of performed consultations in the total number of presented legal regulations.
3.	Streamlining the activities of public administration authorities, decreasing the financial requirements of administrative processes, ensuring transparent execution of public administration	Introducing quality management and performance monitoring systems at public administration authorities.	Output: The number of implemented quality instruments, the number of authorities with quality systems in place. Effect: Reduction in the costs for the functioning of the authorities, improving the satisfaction of the authorities' clients.
		Ensuring efficient ICT usage, creating central registers in a way that enables safe data sharing with public bodies and that allows the citizens authorised access to the data in these registers.	Output: The creation of integrated registers. Effect: The number of eliminated operations required to process/complete a certain agenda.
		Improving vertical and horizontal communication in public administration, ensuring that the different levels of public administration operate in synergy.	Output: The creation of rules for communication between central administration authorities; the preparation of a communication map between central administration authorities and regional self-government; the creation of communication infrastructure for methodological assistance. Effect: Reduction in the number of complaints by self-governing regions and municipalities; accelerated information exchange between different levels of public administration; the number of eliminated duplicate procedures in communication between authorities; Internet
		Introducing a single human resource management system in public administration, clearly defining motivation elements and accountabilities of public servants, promoting modern education and recruitment policies.	Output: - Effect: -
		Consistently promoting both preventive and repressive measures in combating corruption.	Output: The number of supported projects. Effect: CPI measurements.
		Modernising and restructuring tax and customs administration through increasing efficiency in legislative, organisational, personnel and material areas, improving the quality of management and control in tax administration authorities and enhancing the transparency and openness of authorities.	Output: The number of implemented projects. Effect: A reduction in the costs for the operation of tax and customs administration and an improvement in the collection of taxes and duties.

	Global objective		Indicator
4.	Bringing public services closer to citizens, increasing availability and quality of public services	Promoting e-Government with emphasis on safe and simple access to services via the Internet, preparing legal regulations that will provide for the electronisation of procedural operation in public administration, put on equal legal footing the paper and the electronic forms, allow for safe communication between the authorities and the public and optimise internal processes in public administration using ICT.	Output: The number of services accessible via the Internet. Effect: The percentage of the public that make use of these services.
		Establishing a network of contact points, universal points for both individuals and legal entities, where it will be possible, i.e. from one place, to make all submissions to public administration bodies, to obtain all verified data that are maintained in available central registers and records and to obtain information about all ongoing procedures in which the given person participates or that affect such person's rights and obligations.	Output: The number of established contact points; the number of agendas that are accessible through those points. Effect: The percentage of the public who use the contact points.
		Introducing continuous quality monitoring of public services, determining client satisfaction	Output: The existence of a system for collecting data on the quality, efficiency and availability of public services, the number of authorities that monitor the quality of provided services. Effect: The extent to which the satisfaction of clients of public services has increased
		principles of competition in public services while guaranteeing some minimum standards.	Output: The percentage of services for which there is a choice of operator. Effect: The percentage of services provided by the private sector.
5.	Increasing the quality of the judiciary	Introducing the e-Justice system, including the completion of all subsequent projects that result in an improved working efficiency and in better communication between the judiciary and both professional and layman public.	Output: The number of implemented projects. Effect: Reduced average length of court proceedings.

Source: Půček (2009b) from the sources of MI (2007)

There is one very positive aspect to the Strategy, namely that indicators of both output and effect have been defined (ensuring measurability). The number of indicators is relatively large. Also, it is not clear when the fulfilment of the Strategy will be deemed successful. The starting values of the indicators are not clear. If we compare the set of indicators in the Strategy to the indicators of Smart Administration in the NSRF and in the OP HRE and IOP (operational programmes are supposed to be the instruments of the Strategy), we reach the conclusion that the indicators do not fully liaise with each other. It will therefore be necessary to simplify, or at least harmonise the indicator sets.

4.1.4. The description and evaluation of the Strategy – the Analysis

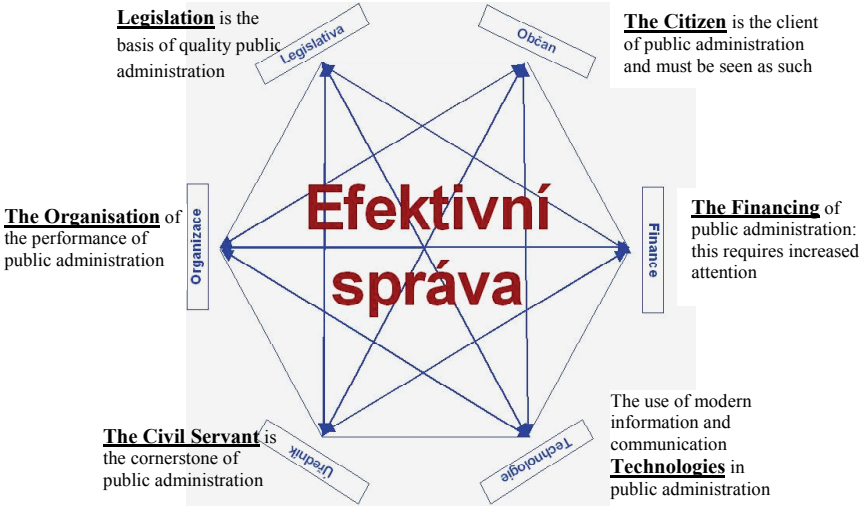
Chapter 3 – Analysis can be considered **the analytical (second) part** of the Strategy. Chapter 3 describes the existing structure and form of public administration, its weak spots, and assesses administration performance. It also includes an international comparison. Considering the scope of the contribution, the analysis was not evaluated in detail.

4.1.5. The description and evaluation of the Strategy – the public administration Hexagon

The most valuable part of the Strategy is its **third part** (Chapter 4.1 of the Strategy), which suggests a principle on which efficient public administration and public services should work. The principle is shown using a model – the public administration Hexagon.

The Hexagon has 6 vertices, i.e. key areas of the functioning of public administration: Legislation, Organisation, Citizen, Civil servant, Technologies, Finance.

Fig. 7: The public administration Hexagon



Source: MI (2007, p. 56, modified)

The description of the individual areas of the Hexagon is shown in the following table that has been prepared based on the text of the Strategy.

Tab. 11: The description of the vertices of the Smart Administration Hexagon

Vertex	Description of the function area
The Citizen is the client of public administration and must be seen as such	This is the Hexagon's most important element. His interaction with the authorities must be made as easy as possible and his life must be burdened as little as possible with excessive regulation. At the same time, public administration must be made transparent to the citizen to the largest extent possible, allowing the citizens both participation in its decisions and control over its functioning.
Legislation is the basis of quality public administration	This is the main instrument employed by the government in order to protect basic social values and to influence the behaviour of individuals and legal entities. However, it should only be adopted in cases where it is absolutely necessary, so that it does not create unnecessary bureaucratic burden, and it should be kept as simple and comprehensible as possible
The Financing of public administration: this requires increased attention	Therefore, particular attention needs to be given to the system of budgeting, the method of allocating resources to individual activities within public administration and the interconnection between budgets and the strategic priorities of the government / the ministries / assemblies. All agendas within public administration need to be reviewed from the viewpoint of cost efficiency.
The Organisation of the exercise of public administration	In every case, a balance needs to be pursued between getting the exercise of public administration as close to the citizen as possible and the efficient spending of public funding. Also, it is important for as much of the agenda as possible to be processed in one contact point – the "circulating information, not citizen" principle. However, the organisation of the exercise of public administration means not only finding the right place – i.e. at what level the given agenda will be performed – but also the way in which it is performed. The management level, the quality control methods, the monitoring of the effectiveness and the performance of used funding and the monitoring of clients' satisfaction play an important role here.
The use of modern information and communication Technologies (ICT) in public administration	ICT need to be used in order to eliminate excessive 'paperwork' and to facilitate both the citizen's interaction with public administration and the communication within public administration. However, ICT must only be perceived as an instrument of the changes, not as the objective as such. During their implementation, the administrative burden often tends to be transferred from one subject (the citizen) onto another subject (the authority), while the objective should much rather be minimising the overall burden for all parties involved.
The Civil Servant is the cornerstone of public administration	It is of little significance if this is a clerk at a ministry or a civil servant exercising public administration within delegated competence in a self-governing region or a municipality. All civil servants should be treated equally everywhere. High quality of their performance must be required, as well as continuous education. Special attention needs to be given to management quality at all levels.

Source: Půček (2009b) from the sources of MI (2007)

4.1.6. The description and evaluation of the Strategy – the final part of the Strategy

The final part of the document is dedicated to the implementation and the management of the Strategy. As an annex to the Strategy, there is a list of the objectives of the strategic projects that are oriented towards fulfilling the Strategy, which was approved through Resolution of the Government of the Czech Republic No 536 of 14 May 2008. The projects listed in the said annex to the Strategy will (once the

time schedule of their implementation is prepared and defined) apply for financial support from the Structural Funds of the European Union. In concrete terms, these include the Operational Programme Human Resources and Employment (OP HRE) and the Integrated Operational Programme (IOP). Both programmes (i.e. the priorities focusing on Smart Administration within the programmes) are seen as instruments for accomplishing the Strategy's objectives. Coordination between both programmes is ensured by the Panel of Deputy-Ministers for Regulatory Reform and Efficient Public Administration. Implementation is performed by the Structural Funds Department of the Ministry of the Interior of the Czech Republic, which is the Intermediate Body for both of the above programmes.

4.2. The concept of Smart Administration in the National Strategic Reference Framework of the Czech Republic

4.2.1. The global and the strategic objectives of the NSRF

The global objective of the EU cohesion policy as applied through the National Strategic Reference Framework of the Czech Republic (hereinafter referred to as the NSRF) is: "to transform the Czech Republic's socio-economic environment in compliance with the principles of sustainable development, so as to make the Czech Republic an attractive location for investment as well as for the work and life of its citizens. By means of incessant strengthening of the country's competitiveness, a sustainable development will be achieved in order to attain the economic level of the EU-25. The Czech Republic will strive to boost employment and to pursue a balanced and harmonized regional development, which will result in enhancing the quality of life of the country's population." (NSRF, p. 36)

Based on the global objective, there are four strategic objectives:

Strategic objective 1: A competitive Czech economy: This means "reinforcing the competitiveness of the business sector by increasing its productivity and speeding up sustainable economic growth based on systematically developed innovative potential of a strong and progressively structured Czech economy, generating robust and sustainable economic growth" (NSRF, p. 38).

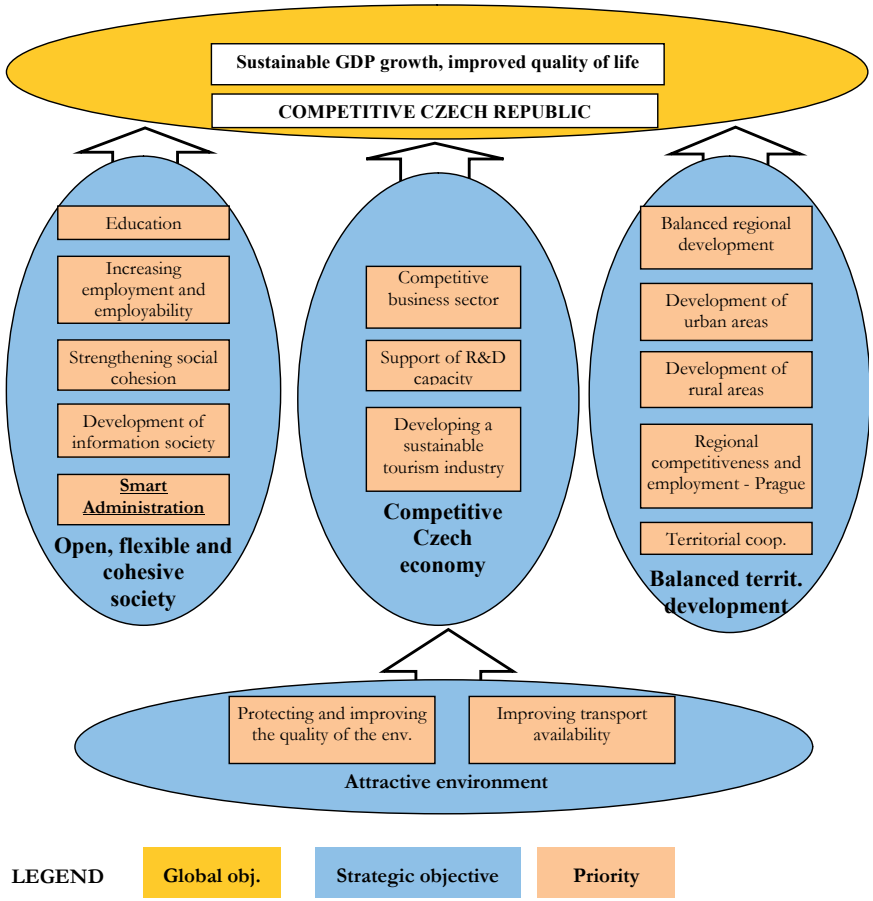
Strategic objective 2: Open, flexible and cohesive society: This means "the creation of a modern civil society open to outer opportunities, a society that is able to respond to such stimuli. The objective is to support the development of an internally diverse, socially aware and cohesive society and to contribute to improving the quality of life of its citizens, to create a modern educational system that would be conducive to the development of a knowledge economy and become the driving force behind an efficient and flexible labour market, which in turn will boost the strong capability of the economy to create new and high quality jobs" (NSRF, p. 43). Within this objective, Smart Administration is the priority.

Strategic objective 3: Attractive environment: This means "providing a high quality physical platform for economic and social development through investments into improving the quality of the environment and access to transport networks" (NSRF, p. 53).

Strategic objective 4: Balanced development of territory: This means the "balanced and harmonious development of the entire territory of the Czech Republic achieved by mitigating disparities between regions and within regions. Economic growth and an increase in employment will be supported by the use of both the natural, economic and socio-cultural regional dissimilarities and the differentiated internal po-

tential of regions. At the same time, respect for the variability of the geographical structure (population structure, hierarchy of towns, types of rural areas) will reinforce territorial and social cohesion" (NSRF, p. 57).
The objectives and priorities of the NSRF and their links are shown in the following figure.

Fig. 8: The system of the NSRF's objectives and priorities



Source: (NSRF, p. 121)

4.2.2. The Smart Administration priority within the NSRF

The NSRF defines in particular the following key problems of public administration: (1) the absence of a system of effective management and quality assessment of public administration; (2) an underdeveloped HRD system; (3) the limited level of digitisation of public administration; (4) insufficient use of innovative approaches in public administration at the local level to ensure availability, quality and transparency of the public services, (5) a serious and relatively stand-alone issue is the slow

functioning of the judicial system and law enforcement issues, (6) a lack of adequate information and territorial and analytical data to support well-founded decision-making (on territorial matters).

One of the priorities within the NSRF's strategic objective of "Open, flexible and cohesive society" is the Smart Administration priority, which is oriented towards a reform of public administration. The objective of the public administration reform is to make public administration and public services more effective by improving the quality and professionalisation of human resources, modernising methods and instruments of management and using modern technologies, and therefore to support the social-economic growth of the Czech Republic and to increase the quality of life of its inhabitants.

The Smart Administration priority is mainly oriented towards: (1) improving the creation and implementation of policies; (2) improving and simplifying the regulatory environment and creating an attractive environment for entrepreneurs and investors; (3) improving the efficiency of the activities of public institutions (authorities), lowering the need for financial resources on the functioning of the administration and ensuring transparent exercise of public administration; (4) improving the performance of the justice system; (5) opening up public services for citizens, ensuring their maximum availability and quality.

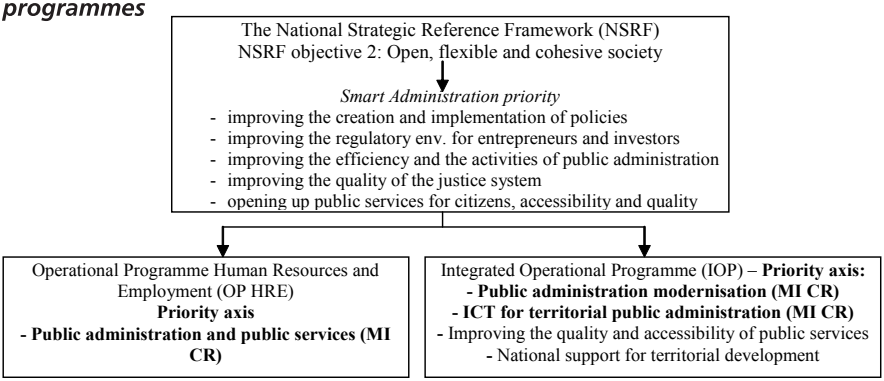
The responsibility for the implementation of the reform of the Czech Republic's public administration has been delegated to the Ministry of the Interior of the Czech Republic, which is the Intermediate Body of two operational programmes.

4.3. The translation of Smart Administration into the IOP and the OP HRE

4.3.1. The IOP and the HRE operational programmes as an instrument towards Smart Administration

In the Smart Administration area, the NSRF serves as a basis for two operational programmes (see the figure below). The Operational Programme Human Resources and Employment (OP HRE) financed by the European Social Fund (ESF), and the Integrated Operational Programme (IOP) financed by the European Regional Development Fund (ERDF).

Fig. 9: The Smart Administration priority and its translation into operational programmes



Source: The authors

With regard to implementing Smart Administration, the most important priority axes are Public administration and public services (OP HRE), Public administration modernisation and ICT for territorial public administration (IOP). The Intermediate Body for all these 3 axes is the Ministry of the Interior of the Czech Republic. Within the IOP, the axes entitled 'Improving the quality and availability of public services' (meaning social and health care services) and 'National support for territorial development' (the 'Modernisation and development of territorial policy making systems' intervention) will also impact on the modernisation of public administration.

Coordination between both these programmes (and, above all, their conception) is provided by the Panel of Deputy-Ministers for Regulatory Reform and Efficient Public Administration', whose members are deputy ministers and other high ranking representatives of public administration bodies and local government.

4.3.2. The Integrated Operational Programme (IOP)

The IOP includes support for a number of thematic areas whose common denominator is strengthening public administration and public services, in particular through the development of information and social infrastructure. **The global objective** of the IOP is to improve the efficiency of processes and activities in public administration, public services and territorial development, namely through modernising the technical background as a prerequisite to creating a modern civil society and to improving the competitiveness of both the Czech Republic as a whole and its regions.

The Managing Authority of the IOP is the Ministry for Regional Development (MRD). The Ministry of the Interior of the Czech Republic is the Intermediate Body for the Public administration modernisation and the ICT for territorial public administration priority axes, as well as for Area of Intervention 3.4. (Services in the area of security, prevention and risk solving). The Ministry of Labour and Social Affairs of the Czech Republic is responsible for the Improving the quality and accessibility of public services axis (for Areas of Intervention 3.1. Services in the area of social integration and 3.3. Services in the area of employment). The Ministry of Health Care of the Czech Republic is responsible for Area of Intervention 3.2. (Services in the area of public health). Funding according to the axes is shown in the following table.

Tab. 12: Individual priority axes within the IOP

No	Priority axis title	IOP funding € million	%	Intermediate body
1	Public administration modernisation (Convergence, Prague)	334,5	21,1	MI CR
2	ICT for territorial public administration (Convergence)	170,8	10,8	MI CR
3	Improving the quality and accessibility of public services	545,1	34,4	MLSA CR, MHC CR, MI CR
4	National support for the tourism sector (Convergence, Prague)	65,3	4,2	CRD CR
5	National support for territorial development	420,9	26,6	MC CR, CRD CR
6	Technical assistance (Convergence, Prague)	45,8	2,9	CRR ČR
	IOP total	1 582,4	100	

Source: The authors

The IOP uses the Integrated Urban Development Plan (IUDP) instrument for the housing area. This instrument is recommended as the key instrument for urban development by the Leipzig Charter. For further information on the IUDP see Chapter 6.

4.3.3. The Operational Programme Human Resources and Employment (OP HRE)

The global objective of the OP HRE is to increase the employability and the employment of the Czech Republic's population to the average level of the top 15 EU countries. This objective will be accomplished through increasing the adaptability of both employers and employees, e.g. by means of further education, improved access to employment and prevention of unemployment, strengthening the integration of persons at risk of social exclusion and socially excluded persons, strengthening the institutional capacity and the efficiency of public administration and public services and intensifying international cooperation in the area of human resources and employment.

The Managing Authority of the OP HRE is the Ministry of Labour and Social Affairs (MLSA). The Intermediate Body for the Public administration and public services priority axis is the Ministry of the Interior of the Czech Republic (see the table below).

Tab. 13: Individual priority axes within the OP HRE

No	Priority axis title	OP funding		Intermediate body
		€ million	%	
1	Adaptability	525,4	28,6	MLSA CR, MIT
2	Active labour market policies (Convergence, Prague)	605,8	33,0	MLSA CR
3	Social integration and equal opportunities	398,6	21,7	MLSA CR
4	Public administration and public services (Convergence, Prague)	195,1	10,6	MI CR, MLSA CR
5	International cooperation (Convergence, Prague)	39,0	2,1	MLSA CR
6	Technical assistance (Convergence, Prague)	73,5	4,0	MLSA CR
	Total	1 837,4	100	

Source: The authors

4.3.4. Funding for Smart Administration

In the 2007 – 2013 period, the Czech Republic can use a total of €26.69 billion of cohesion policy funding. The total funding intended for the IOP amounts to €1 582.4 million, i.e. 6.04% of all funding intended for the Czech Republic within cohesion policy (see the table in Chapter 2.1.5). Resources within the IOP that are intended directly for Smart Administration are in the Public administration modernisation and ICT for territorial public administration priority axes, totalling €505.3 million, which represents 1.89% of all funding for cohesion policy.

The total funding intended for the OP HRE amounts to €1 837.4 million, i.e. 6.9% of all funding intended for the Czech Republic. Resources within the OP HRE that are intended for Smart Administration are in the Public administration and public services priority axis, totalling €195.1 million, which represents 0.73% of all funding for cohesion policy.

Once we add up the IOP and OP HRD funding that is intended directly for Smart Administration, we get a total of €700.4 million, which represents 2.62% of all funding for cohesion policy. If we add all the subsequent priority axes (see the table below), we receive a figure of €1 261 million, i.e. 4.71% of all funding intended for the Czech Republic within cohesion policy.

Tab. 14: Funding for Smart Administration from cohesion policy

OP	Priority axis title	Smart Administration funding		% of all funding for cohesion policy	Intermediate body
		€ million	%		
HRE	Public administration and public services	195,1	15,5	0,73	MI CR
IOP	Public administration modernisation (Convergence, Prague)	334,5	26,6	1,25	MI CR
IOP	ICT for territorial public administration (conv.)	170,8	13,5	0,64	MI CR
	Total directly for Smart Administration	**700,4**	**55,6**	**2,62**	
IOP	Improving the quality and accessibility of public services, Services in the area of social integration intervention (3.1)	79,2	6,3	0,29	MLSA CR
IOP	Improving the quality and accessibility of public services, Services in the area of pubic health intervention (3.2)	248,5	19,7	0,93	MHC CR
IOP	Improving the quality and accessibility of public services, Services in the area of employment intervention (3.3)	46,6	3,7	0,17	MLSA CR
IOP	Improving the quality and accessibility of public services, Services in the area of security, prevention and risk solving intervention (3.4)	170,8	13,5	0,64	MI CR
IOP	National support for territorial development, Modernisation and development of territorial policy making systems intervention (5.3)	15,5	1,2	0,06	CRD CR
	Total incl. subsequent axes	**1 837,4**	**100**	**4,71**	

Source: The authors

The government's "Strategy for the Implementation of Smart Administration in the 2007 – 2015 Period" envisages obtaining only a part of the funding required for public administration modernisation from the resources of the EU cohesion policy. The rest of the funding will be covered by the state budget and the budgets of territorial units.

5. Management principles and the "doing the right things right" model

5.1. Managing public sector organisations in the Czech Republic

As mentioned in previous chapters, Smart Administration can be viewed from the viewpoint of its application in

(1) territorial development, i.e. in development (new) activities that take place within the given territory. These are usually performed through instruments of territorial development – financial instruments (private, public funding, public-private partnership), strategic documents (instruments), institutional and methodical instruments. Instruments of territorial development are dealt with in Chapter 6. From the budget structure perspective, these include in particular investment funding and possibly also non-investment funding that is required for ensuring development (e.g. financing institutions that deal with development – in the case of EU funds this includes the costs of managing authorities that are financed from 'technical assistance'). Therefore, what we are dealing with here is the key issue in public administration: "How much funding do we have for development?" (at any level – i.e. the national, regional and municipal levels),

(2) good governance, i.e. in the correct and prudent performance of the everyday activities of public administration and public services. From the budget viewpoint, this is mainly non-investment funding (e.g. for a public service) and possibly also investment funding (intended for ensuring the renewal of assets that are necessary for providing a public service). Therefore, the question we are dealing with is: "How much does the exercise of public administration and the provision of public services in the current scope cost?"

Start managing and then innovate – these simple recommendations by Peter Drucker (Drucker, 2004) can be used as a basis for modernising public administration, i.e. also for 'smart' public administration (Smart Administration).

The basic functions of management in the public sector include: (1) **Planning,** which defines visions, strategic and operational plans, objectives and target values (indicators). In addition, it sets deadlines and defines instruments for achieving such objectives; (2) **Organising** includes organisational structures and procedures suitable for implementing the plan; (3) **Directing,** i.e. leading, motivating and stimulating public sector organisations towards activities that are defined as part of planning; (4) **Monitoring and controlling** use feedback to direct the activities in a manner that allows for objectives (and their indicators) to be achieved within fixed deadlines and with delimited resources (effectively, efficiently and economically).

What is the product of the management of public sector organisations?

The basic product (or 'output') of the management of the state, its self-governing regions, regions and towns (municipalities) is **their development** on the one hand and **good governance** and public services on the other. Such a development can be implemented and assessed in many ways. Development that is not implemented at the expense of future generations is considered sustainable development.

Many public sector organisations are established in order to provide specific public services (for example education, health care, social security etc.) The product of their management is the provided public service; for these purposes public services are deemed to also include services provided in the public interest. Public services are

conceived, organised or streamlined by the state, the self-governing region or the municipality in order to satisfy the public's needs. Examples of public service providers (the municipality/the self-governing region as the contracting authority) are listed in Annex 1. The Annex clearly shows that there are a number of alternative methods of providing services. Finding the optimal way of providing services is a highly significant decision – different methods are associated with varying financial flows and budget requirements.

For some organisations (e.g. some selected central administrative authorities) the product of management is the output intended for another division within the authority or the final output intended for another body.

What are innovations and innovative approaches?

Peter Drucker believes that without innovation, any existing organisation will go bankrupt. In today's turbulent world, innovations are of enormous significance. "Innovation is a change of the given state and can be applied in any area of human activity, both in the for-profit and the non-profit (public, private non-profit-generating) sectors." (See Rektořík, 2002, p. 46.)

Innovations in urban management can be divided into (see Rumpel, 2005; Půček, 2006):

(1) Institutional and organisational innovations, which are sometimes referred to as "process" or simply "organisational" innovations (e.g. some foreign concepts such as new public management, quality and performance management, the Balanced Scorecard strategic planning method, networking, regional innovation systems, "learning" towns and regions, town marketing, Local Agenda 21, the Healthy City project etc. – this therefore involves changing the approach to management);

(2) Product innovations (e.g. arcades, new multifunction public areas, new leisure infrastructure, innovations in the transport systems of towns and regions, new entrepreneurial infrastructure such as industrial zones, incubators, scientific and technological parks, technology transfer centres etc.);

(3) Technical and technological innovations (e.g. geographical information systems, digitalisation, informatisation etc.);

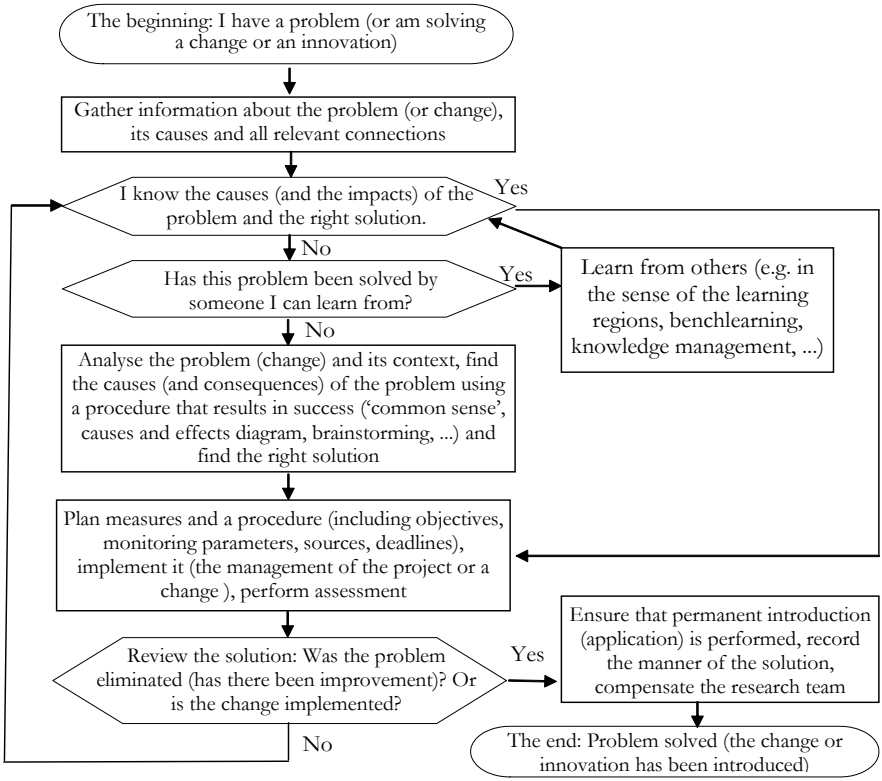
(4) Innovations in financial management (for example PPP, i.e. public-private partnership in financing the implementation of projects in the public interest).

In this publication, those approaches are considered innovative that successfully respond to changes such as globalisation, information society, pressure on effectiveness, performance and quality, pressure on the quality of life, orientation towards the customer/citizen, respect for sustainable development etc.

Methodological procedure in solving problems and changes

Every manager and every management system that is built up must be able to successfully cope with arising problems and changes. The following flow chart sets out the methodological procedure in problem solving or change management.

Fig. 10: Methodological procedure in solving problems, innovations and changes



Source: Půček, Matochová (2007, modified)

During problem solving, it is always necessary to find the causes of the problems. Only that way can measures be permanently successful. One of the suitable analytical instruments for finding such causes is the cause and effect chart (see Chapter 13.7.). Problem solving and change directing often use project management (see Chapter 11) and the PDCA cycle for implementing improvement (see Chapter 8). Learning from others (bench learning cycle, knowledge management) is briefly described in quality methods (see Chapter 8).

The objective of public administration (the objective of public sector organisations)

Local governments most often define their objectives to include ensuring territorial development or improving the quality of their citizens' lives. Both these objectives are very similar, if not identical: "Development is the process of improving the quality of human life." (See WHO, 2000, p. 9.) However, the quality of life on this planet cannot be improved forever, without any limits. There are limits, which are respected by decent political representatives. These were defined at a UN conference in 1992 as the principles of sustainable development.

The objective of public administration is to improve the quality of life of the citizens while respecting the principles of sustainable development and, at the same time, improve the performance and the quality of provided public services (Půček, 2005).

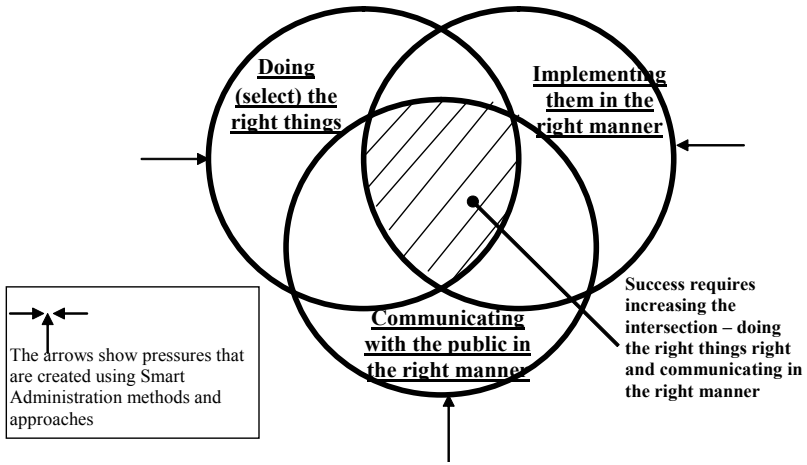
5.2. The key to Smart Administration: The 'doing the right things right' model

5.2.1. The description of the model

The key to modern, effective and high-performance public administration, and therefore also to Smart Administration in territorial development and administration, i.e. at the local, regional and national levels, is: (1) selecting and pushing through the "right things", i.e. the right investments, activities, measures, legislation etc.; (2) implementing them in the right manner and (3) communicating with the public in the right manner. While doing so, the principles of good governance need to be respected in all these areas, i.e. the principles of legality, equality, impartiality, proportionality, legal certainty, the principle of acting within a reasonable time limit, the principles of participation, respect for privacy and the principle of transparency.

In short, it means "doing the right things right" and communicating with the public in the right manner (see the following figure).

Fig. 11: The "doing the right things right" model



Source: The authors

The individual parts of the model can be described as follows:

(1) **Doing the right things** – means selecting and pushing through (approving) the most needed and the most significant investments, activities, public services, measures, legislation etc., i.e. to the optimum extent. What is considered the "right thing" depends on the framework of the values of each individual, on his/her experience and education, political orientation etc. For example, a right-wing oriented politician may consider the "right things" to include other activities (investments, laws, …) than a left-wing oriented politician, a Christian politician or a supporter of the "Greens". Of course, during the phase of selecting and approving the "right things" it is necessary to get the public involved.

At the local (and partly also the self-governing region) levels, reaching an understanding as to what are the "right things" tends to be easier: for example, in the case of a town, an understanding concerning (1) the scope of investment (e.g. into civic facilities in housing estates, pavements or local roads, sports facilities, town property etc.),

(2) the scope of support and of provided public services in the municipal area (waste collection, the standard cleanliness in the town etc.), in education, culture and sport, in the area of security, safety and crime prevention, in the social area etc.

The choice of the "right things" is also subject to numerous limiting factors, such as (1) the financial limits (the scope of the funding available within a given period), (2) the natural limitations in a given territory, the territorial reserves and other territorial limitations (often defined through a municipality's land-use plan or a self-governing region's principles of territorial development), (3) limitations laid down by applicable legislation, (4) deadlines, time-related possibilities or the "timing", (5) limitations that are laid down by existing contracts, other obligations and past decisions etc., (6) other limitations.

(2) Once the "right things" are selected and approved, they need to be **implemented in the right manner.** While selecting the "right things" is largely the responsibility of the political representation, their correct implementation should be left to managers in public administration and public servants.

Correct implementation is a question of well-thought-out management and innovation. Primarily, it includes (a) monitoring and measuring how the "right things" are being accomplished – i.e. the objectives and their indicators, (b) performing all activities effectively, with high performance and quality, and within reasonable deadlines, i.e. from the perspective of the activity, investment or public service as such, (c) performing all activities effectively, efficiently and economically from the financial point of view.

(3) The third, equally important part of the model is the **right communication with the public,** i.e. both in the area of selecting and approving the "right things" and in the area of implementing them right. from the perspective of getting the public involved and communicating with the public, there are a large number of possibilities and standards how to proceed. At the local level, this includes for example Local Agenda 21, town (or regional) marketing, various techniques of public opinion surveying including surveys of satisfaction etc.

Therefore, the "doing the right things right" model is strongly oriented towards achieving objectives (the "right things" – that is the results/targets that we want to achieve) effectively, economically and with high performance and quality (i.e. "in the right manner") and, at the same time, towards the right communication with the public and other "key players" (stakeholders, actors). The principle of result orientation is described in Chapter 5.3.

5.2.2. Links to Good governance

The **"doing the right things right"** model described above is based on the principles **of good governance** (see Chapter 3.1.3). Public administration strives to learn to do the right things (improving the quality of life while respecting the principles of sustainable development) in the right manner (effectively, timely and in good quality). "Governance is a mechanism for implementing municipal solutions, a way of providing services that benefit all citizens." (See Osborne, Gaebler, In Vacek, 2006, p. 4.)

The Methodology for Applying Local Agenda 21 characterises good governance as follows (see Reitschmiedová, Švec, Rynda, Třebický, 2003, p. 8): "Good governance is based on openness, responsibility and effectiveness of institutions and on public participation in decision-making and other processes. Good governance – means transparency, responsibility, honesty, suitable management, effective and available services, commitment towards partnership and continuous development of public administration institutions. Adopted strategies should have bear a clear connection

to specific activities of the authorities. In other words: states, regions and towns whose political and institutional administration fails to display the five basic characteristics of good governance cannot achieve regional development. There are five basic characteristics to good governance: (1) openness, (2) public involvement in decision making, (3) responsibility, (4) effectiveness, (5) the linkage between strategies and specific activities. Good governance of public matters should respect the fundamental principles of sustainable development."

Similar principles can be found in the new style of public sector management – **the New Public Management.** This involves modernising and changing the rules of behaviour of the public sector. This should be facilitated through transferring positive experience from the management of private institutions and through increased emphasis on effectiveness. In the conditions of the Czech Republic, applying these principles can still be considered innovative. "Today's environment calls for institutions that are flexible and adaptable, that provide high quality of services and can harvest as much utility as possible from every single crown. It calls for institutions that respond to their clients' requirements and needs, provide non-standardised services, lead through persuading and motivating rather than ordering, institutions that make their employees feel that their activities matter and that they participate in its management. It needs institutions that not only serve the citizens, but that provide them with the possibility to influence the operation and the activities of the public sector." (See Osborne, Gaebler, In Vacek, 2006, p. 6.) All this can be facilitated through applying the methods and approaches described in this publication.

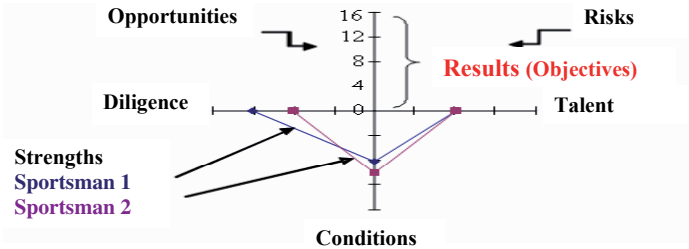
5.3. Result orientation – "doing the right things right"

5.3.1. The sportsman's triangle

The "doing the right things right" model, which was described above, includes the orientation towards the accomplishment of objectives (i.e. the right things that are performed in the right manner and, at the same time, communicated to the public). The result orientation principle is described using the "sportsman's triangle" – i.e. it draws inspiration from the conditions for good performance of sportsmen.

Sport uses the well-known theorem, namely that a sportsman's performance can be compared to the area of a geometrical triangle whose three sides are talent, conditions and diligence in practicing. This is shown in the following figure.

Fig. 12: The triangle of conditions for a sportsman's performance



Source: Půček (2005, p. 19)

The sportsman's triangle covers both strengths and weaknesses (inner factors in success) from the perspective of three categories: diligence – conditions – talent. The bigger the surface of the triangle, the better the prospects for the sportsman to achieve better results.

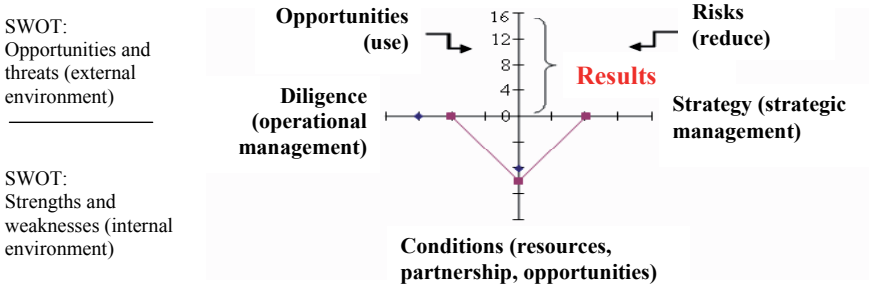
However, this is not enough to guarantee good results. A sportsman, however diligent they may be and whatever conditions and talent they may have, will not achieve any results at all if they break the wrist or smash the hip joint. This would mean that the risk has materialised. On the contrary, if they are lucky, their results are better – the opportunities have been used. The sportsman's triangle makes it easy to understand the SWOT analysis (an analysis that evaluates the Strengths, Weaknesses, Opportunities, and Threats).

5.3.2. How can this be applied to public administration management

The sportsman's performance triangle can be transferred to an authority as show in the following figure.

The conversion is to be performed as follows: Diligence converts into the willingness to work hard (operational management, doing the right things right), talent converts into strategy (doing the right things), conditions remain conditions (resources, possibilities, …). The bigger the surface of the triangle, the better the prospects for the authority to achieve better results. However, the results also depend on the authority's capability to use opportunities and eliminate the risks. Opportunities need to be used systematically. Risks need to be reduced systematically.

Fig. 13: A different approach to SWOT analysis



Source: Půček (2005, p. 19)

There is one significant problem that is common to a large number of public administration organisations, namely their weak orientation towards achieving objectives (results).

Using the Smart Administration approaches is intended to eliminate this weakness.

5.4. Research in the area of public administration management

5.4.1. WB – Research for the Purposes of Regions (Management of regional and local government)

Municipal and regional authorities have extensive experience with implementing modern management methods. Among other things, this is thanks to the research project of the Ministry for Regional Development of the Czech Republic (hereinafter referred to as MRD). These include 10 project from the 2004 – 2006 period, which were implemented within the WB – Research for the Purposes of Regions programme, as part of the Management of Regional and Local Government priority (see the following table). During the preparation of this publication, an analysis of these projects was performed and the output from the MRD's research projects was used, especially WB-01-04, WB-02-04, WB-14-04, WB-16-04, WB-11-05 and WB-22-05. Research reports and other output are available at http://www.mmr-vyzkum.cz/InfoBanka.

Tab. 15: The MRD's research projects that are related to Smart Administration

Number	Research project title	Researcher	Funding
WB 01-04	Improving the quality of management of municipalities with up to 5000 residents	University of Hradec Králové	2.600 000
WB 02-04	Evaluating and improving the performance of regional and local government using methods of modern management	University of West Bohemia in Pilsen	1.412 000
WB 04-04	A system for supporting decision-making at the level of regional and local governments	Research institute for agricultural economics	3.405 000
WB 14-04	The management of regional and local government	DHV CR spol. s r.o.	3.500 000
WB 16-04	Regional management as a way to the sustainable development of rural regions	University of West Bohemia in Pilsen	1.800 000
WB 17-04	Research of development management implementation as an instrument for increasing the absorption capacity and financial savings in micro-regions	The Centre for Community Work – central Moravia	1.400 000
WB 31-04	Regional development management at the level of regions and municipalities with extended competence	University of Economics in Prague	3.400 000
WB 10-05	Improving the quality of management of municipalities with up to 5000 residents II	University of Hradec Králové	1.620 000
WB 11-05	The management of regional and local government	Masaryk University in Brno	1.500 000
WB 22-05	The marketing management of municipalities, towns and regions	University of Ostrava in Ostrava	1.158 000
CZK total	(WB – Research for the Purposes of Regions programme)		21.795 000

Source: The autors

Characteristics and evaluations of the selected research projects constitute Annex 5 of the electronic version of this publication.

The Ministry of the Interior of the Czech Republic also implemented some research projects with relation to Smart Administration in 2005. These included for example the project entitled "Improving the CAF Methodology" (researchers Půček, Kocourek) and a research project in the area of benchmarking. The output from these projects is used in particular in Chapter 8.

5.4.2. Case studies of modern management methods in local government

Over the past five years, a large number of case studies have been prepared, representing the experience of local government with modern management methods. The authors of this publication participated in many of the studies, including for example:

- The issue of risk and financial management is dealt with in the publication entitled "Risk and Financial Management" (available for free download at http://www.mepco.cz/ projekt_vystup3.html),
- The issue of environmental management and sustainable development is outlined in the publication entitled "Sustainable Development, Environmental Management and Audits" (http://www.mepco.cz/projekt_vystup5.html),
- Balanced Scorecard strategic management, a text concerning the model for improving CAF (local government) (http://www.npj.cz/informacni-centrum/nabidka-publikaci/),
- The management of public administration processes (http://aplikace.mvcr.cz/archiv2008/sprava/moderniz/vyk_stspr.pdf),
- Measuring satisfaction in public administration (http://aplikace.mvcr.cz/archiv2008/odbor/moderniz/spokojenost_final.pdf),
- The town hall's approach to the sound use of resources, The town hall's approach to NGOs, other texts: http://www.spkp.cz/documents/Setrne_vyuzivani_zdroju.pdf; http://www.spkp.cz/documents/Podpora_neziskoveho_sektoru.pdf

6. Smart Administration in territorial development

6.1. Definitions of terms used in the chapter

In view of the fact that the terms used in this chapter could be understood differently, they are **defined, for the purposes of this chapter, as follows:**

(1) Territorial development (respecting the principles of sustainable development) is a set and a synergy of activities, activities and investments performed within a given territory by all actors (i.e. public administration, the business sector, the non-profit sector), with the objective being to achieve a balanced relationship between the conditions (1) for a favourable environment, (2) for economic development and (3) for the cohesion of residential communities in a territory. Sometimes the term spatial development is used instead.

(2) **Territorial administration** is a set of activities and actions that are performed, i.e. rather repeatedly and within a given territory, by the state, self-governing regions and towns in both delegated and own competence in accordance with applicable legislation (i.e. the exercise of state administration and local self-governance) . Administration must respect the principles of good governance and Smart Administration.

(3) **Territorial development instruments** can be divided into financial instruments (private, public funding, public-private partnership), strategic documents (instruments), institutional and methodological instruments. Considering their scope, European Union funds (financed from cohesion policy) belong to important financial instruments of development.

(4) **Strategic planning** of territorial development is, similarly to territorial planning, one of the strategic instruments for administering and developing a given territory (state, self-governing region, municipality). Strategic planning is a process which (1) evaluates the existing situation of a given territory and possible development trends, (2) defines objectives and indicators of territorial development, (3) prepares strategies and plans in order to achieve these objectives and indicators and (4) defines the procedures for both monitoring the results (evaluation) and taking measures.

(5) **Territorial planning** is, similarly to strategic planning, one of the strategic instruments of administering and developing a given territory (state, self-governing region, municipality). Territorial planning is a process whose main objective (according to the Act on Territorial Planning and Building Rules No 183/2006 Sb.) is to create favourable conditions for (1) sustainable territorial development and (2) construction. In order to promote the objectives and the tasks of territorial planning, there are territorial planning instruments that include, without limitation, the following (a) territorial-planning documentation (territorial-analytical documentation, territorial studies), (b) territorial development policy, (c) territorial planning documentation (the principles of a self-governing region's territorial development, a municipality's land-use plan, a regulation plan), (d) planning permissions. From the perspective of territorial development instruments, such instruments can be matched to strategic documents.

6.2. Failure in territorial administration and development – the causes of the crisis

6.2.1. The causes of the crisis

Over the past months there has been increasing debate about the crisis – about the financial crisis, about the economic crisis, about the risk of a public budget crisis, about the environmental crisis… If we examine the crisis from different viewpoints (or from the perspective of different scientific disciplines), we find causes of the situation in the economic, societal, social, political etc. areas. However, complex problems require comprehensive (i.e. interdisciplinary) approaches.

The current global crisis started in the USA as a mortgage crisis. Banks introduced stricter conditions for access to mortgage loans, consumer credits and also the operating financing of companies. Investors lost confidence in the system and started selling shares. What followed was the fall of stock markets and a worldwide financial crisis, i.e. the instability of banks and further complications in the operating financing of companies. Banks stopped trusting each other and lending each other money. Both companies and ordinary people stopped their spending. Consumption dropped sharply. We can therefore speak of a consumption crisis. Companies all over the world lost a significant portion of their business, which, along with the problems with financing by banks, has led to redundancies and bankruptcies. The economic growth of countries has slowed down markedly. The financial crisis has changed into a global economic crisis. A crisis of confidence. This has had a major negative impact on the Czech economy, which is export oriented. We can speak of a crisis of external demand – i.e. the demand for our goods abroad.

The collapse of the mortgage market was a mere consequence of the manner in which all actors in the US mortgage market behaved. While the above can be labelled as partly inaccurate, this is not so important. The entire description addresses the consequences and not the causes. If we are to really solve a problem, we need to focus on its causes.

The possible causes of the crisis include a failure in administering and developing a given territory. Such a failure may occur not only at the global or national level, but also at the regional or local level. (Hák, Rynda, 2001, p. 17; Hušek, Šusta, Půček, 2006, p. 11). If this is the case, do we have enough instruments to solve this cause? That is to say to "not fail" in territorial administration and development? What are the existing instruments of "territorial development"?

There may be a variety of both crises (e.g. financial, economic, public budget, environmental crises, etc.) and their causes. The failure in administering and developing a given territory can be considered a cause of such a crisis. Such a failure, too, can have a number of causes. The inability to manage territorial administration and development is considered to be the main cause.

6.2.2. Failure in managing the "society – nature" and the "nature – society" relationships

Territorial units are responsible for the development of their territory. Therefore, they are also responsible for managing the "society – nature" relationship within

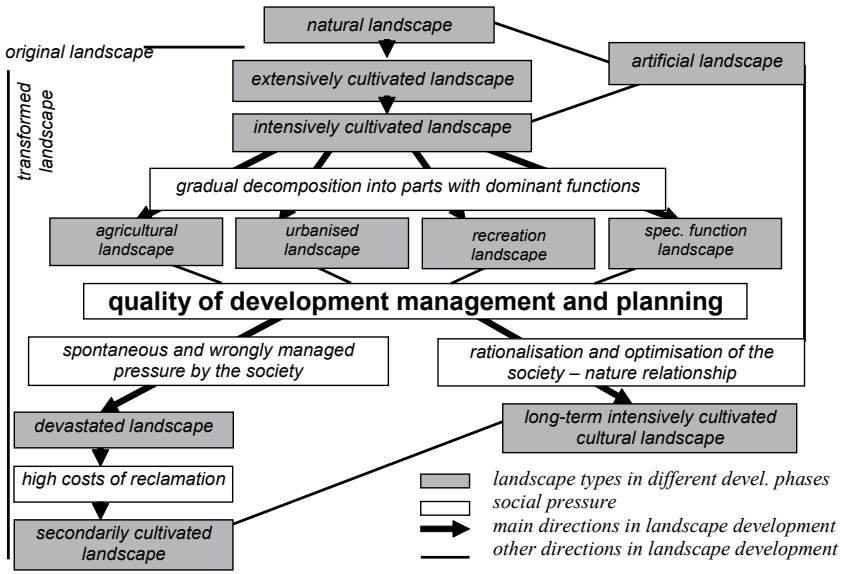
the given territory. Failures in this area often take the form of an ecological crisis. The cause is the inability to duly manage this relationship – i.e. in the sense of the principles of sustainable development (for sustainable development see Chapter 12).

But is it the goal of our territorial units (self-governing regions' and municipal self-governments) to respect the principles of sustainable development? What are the goals of local self-governments and of public administration in general, anyway? Having a clearly defined objective is a necessary prerequisite to achieving it (e.g. Goldratt, 2001; Drucker, 2004; Půček, 2006). Similarly, it is necessary to define a set of indicators through which we can find out whether or not we are approaching the objective (e.g. Moldan, 1996, 2001; Huba, Ira, 2000a, 2000b). The proclaimed objective of self-governments is their development, often associated with an improvement in the quality of life of the citizens (e.g. Blakely, 1994, p. 67; Rumpel, 2002, p. 1; Borja, Castells, 1997; Půček, Kocourek, 2004, 2005).

We can therefore say that the basic **output of urban, regions' and regional management** is their development. Such a development can be implemented and assessed in many ways. Development that is not implemented at the expense of future generations is considered sustainable development.

From the perspective of sustainable development, it is important to harmonise the "society – nature" relationship, i.e. the "nature – society" relationship. The following figure shows the development of landscape transformation and the significance of the quality of territorial development management and planning.

Fig. 14: The significance of the quality of management and planning for territorial development



Source: Bičík, Janský (2004, p. 127)

Human activity thus transforms natural landscape into artificial landscape, i.e. cultural landscape. The chart shows that the **quality of management and planning plays**

a key role in this process. Quality planning and management in territorial administration and development can prevent failure, i.e. the devastation of landscape, and can result in the formation of long-term intensively cultivated cultural landscape. The key factors in that are for example the Principles of Territorial Development and the Regional Development Programme (or another similar strategic document) at the level of self-governing regions, and the Land-Use Plan and the Municipal Development Plan (the strategic plan of a municipality) at the level of municipalities.

As part of territorial development management and planning, attention needs to be given to recognising, planning and, above all, managing the "nature – society" and the "society – nature" relationship. That is:

(1) the impact of natural influences on the society (and on humans), for example:

a) the services that individual ecosystems provide to us for satisfying human needs,

b) but also the risks associated with the effect of natural influences, such as floods, landslides etc.

(2) the human society's impact on the environment (e.g. the devastation of nature and the landscape as a result of wrong territorial planning, carelessness towards nature, uneconomic attitude to energies, wastefulness of all kinds, plundering resources etc.)

Over the past ten years, respect for the principles of sustainable development has been becoming a common practice amongst territorial development actors in the Czech Republic. Sometimes, such behaviour is enforced by legislation (within this contribution, legislation is matched to strategic documents – instruments) or encouraged through subsidies (these belong to financial instruments), while in other cases the behaviour is voluntary. Territorial development instruments (i.e. strategic instruments in the form of legislation, concepts and strategies, financial instruments in the form of EU funds, national programmes, public and private investments, and also methodological and institutional instruments – for more see Chapter 5) respect that. For example, SEA (Strategic Environmental Assessment) is required for strategies and EIA (Environmental Impact Assessment) is required for significant investments. Energy audits are required for buildings in order to avoid wasting energy, etc.

6.2.3. Failure in resource management

Presently, we can hear from time to time that there are only two possibilities to effectively tackle public finance and to address a financial crisis from the position of the state, namely (see Osborne, Gaebler, In Vacek, 2006, p. 7): "(1) raise taxes or (2) reduce costs, while limiting provided services is often considered the only way to reduce cost." However the authors of the book entitled "Reinventing Government" see the way to reducing costs differently. This involves improving the management system of public sector organisations, including good territorial administration and well-thought-out territorial development.

The reason for that is that a high-performance and quality management system of territorial administration and development prevents wasting (see Osborne, Gaebler, In Vacek, 2006, p. 7): "Private sector waste is embedded directly into our bureaucracies. There are employees that work at 50 per cent efficiency, if they work at all. Others work hard on tasks that should not be performed at all, follow regulations that should never have been written, complete forms that should never have been printed." Osborne and Gaebler thus captured one of the most important causes of waste in the public sector – work is devoted to something that nobody really needs.

Wasting is one of the possible causes of failure in territorial administration and development.

Sound management of natural resources – the "natural capitalism" concept

"The history of the society's influence on the landscape sphere is in fact the history of using or even damaging natural resources" (Bičík, Janský, 2004, p. 126). Within the "nature – society" relationship, nature provides to us "services" – food, wood, climate regulation, aesthetic experiences etc. Also, there are floods, disasters and so on. However, these may also result from human behaviour. And how do people treat the nature? If the relationship is well managed, a relatively harmonised landscape is created, resources are used with care etc. If the relationship is wrongly managed – the landscape is devastated, resources are plundered, there is wasting etc.

All components of the landscape sphere that are needed by people to satisfy their needs are **natural resources.** Resources are divided into renewable and non-renewable. Non-renewable resources are further divided into: (1) depletable – can be depleted and cannot be renewed (for example ores, coal, oil, minerals etc.), (2) non-depletable – their quantity is such that they cannot be depleted (solar radiation, air, water etc.), but they can be damaged or rendered useless. Many resources that are used by humans are depletable. Therefore, these need to be managed carefully, which means (Bičík, Janský, 2004, p. 126): "….using secondary sources of these raw materials and developing waste-free production technology. Special significance is attached to sound management of traditional depletable energy sources – fossil fuels (coal, oil, natural gas) and an increased use of alternative energy sources, especially non-depletable." (Bičík, Janský, 2004, p. 126) They present the following as the problem of the present: "At present, one of the most pressing problems concerning the mutual relationship between the society and nature is that no strategy of sustainable development (life) is being implemented that would suggest environmentally sound techniques and technologies as well as economic development at the level of the cooperation between the society and nature." Sound management of resources is thus a significant area of environmental management. Pavel Nováček (1998, p. 47) explains why this is so important: "While our planet is rich in resources, these are being distributed with desperate unfairness and unevenness. Example: The average Canadian's energy consumption is five-hundred times greater than that of an Ethiopian. We may admit that Canada is colder, but that is not a sufficient argument for the disparity. Compared to Ethiopia, our consumption is 'only' two-hundred-and-fifty times higher."

Sound management of resources, i.e. a radical improvement in the productivity of resources, is the main topic within the **"natural capitalism"** concept, whose advocates include Hawken, Lovins, Lovins (2003, p. 7): "The core of this theory is the idea that the economy is shifting from an emphasis on human productivity to a radical increase in resource productivity. This shift should provide more meaningful family-wage jobs, a better worldwide standard of living to those in need, and a dramatic reduction of humankind's impact upon the environment." Surely, this is also a challenge for good territorial administration and development. Territorial administration and development must strive to achieve sounder resource management. This is certainly a great challenge for territorial units.

Paradoxically, while some environmental measures that are being implemented in the Czech Republic and the EU may be friendly to the environment, the same measures can be very unsound with respect to resources. This can only be considered wise behaviour or, on the contrary, complete waste provided that the knowledge and the

assessment of the necessary context are used (i.e. from the perspective of all three pillars of sustainable development, not only from the environmental viewpoint).

In the business sector, organisations can afford practically no wasting – otherwise they will not survive. There are a number of excellent methods and approaches that have been well-proven in enterprises (especially production). These also include "lean production" or "lean services" (the Lean method) whose implementation in public administration has already begun abroad. For further information see Chapter 9.

Self-sufficient versus wasteful regions

One of the most significant issues of today is the impact of "wasting" on regional development. The thing is that behind every decision made in the public sector, whether a minor or a major one, there are specific people. This everyday decision-making by politicians, employees and clerks either improve the situation or exacerbate it (senseless investments, wastefulness of all kinds etc.)

Our society is growth-oriented. This is measured for example through the growth of the gross domestic product (GDP), which also applies to the level of regions. However, GDP growth requires consumption and investments (by households, companies, public administration etc.) This exerts enormous pressure on resources. Dependence on some of them can be very dangerous. This was also proven by the recent crisis concerning the supply of Russian gas. The maturity of the society cannot be told from GDP growth or the level of consumption (these are an aspect of wealth rather than advancement), it can be determined according to the way resources are treated, i.e. not only natural resources. Wastefulness can thus be one of the possible causes of failure in territorial administration and development. In the future, the effective use of all resources will be key to success.

Self-sufficient regions are able to fulfil the region's key needs. Usually, they cannot afford to be wasteful. The self-sufficiency of a region can be based on one or a combination of several of the following factors: (1) the well-thought-out use of natural and other resources, (2) human capital, competitiveness, knowledge, innovation, cohesion, (3) many years of good territorial development and well-thought-out territorial development that make use of regional strengths and eliminate weaknesses and risks, the use of all opportunities, (4) another comparative advantage (e.g. the geographical location).

On the contrary, wasteful regions are not capable of that. Let us believe that in the near future, most European regions will be able to change from wasteful to self-sufficient regions. Cohesion policy, good territorial administration and well-thought-out territorial development can be a significant contribution towards such a change.

6.2.4. Failure due to the incapability to see connections

In territorial planning, development of strategies, investments into territorial development etc. it is necessary that all relevant links (connections) be evaluated. In this sense, territorial development strives to achieve a balanced relationship between the conditions for a favourable environment, for economic development and for the cohesion of residential communities in a territory.

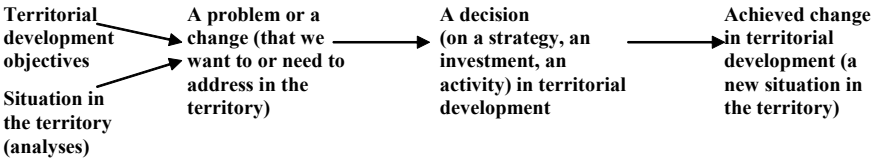
The knowledge of the connections needs to be perceived as the basis for creating management guidelines, promoting changes and innovations and achieving set objectives in the administration and development of a specific territory. What can be

meaningful and useful for one town or region can be, under different conditions, completely wrong and uneconomical – i.e. it can be wasteful of resources. The European Union presents itself as a territory of varied regions. This can be a considerable advantage for understanding the necessary regional connections, strengths and possible opportunities.

Systems thinking in territorial development

"Systems thinking is the practical application of system dynamics – a scientific discipline focusing on examining behaviour patterns and structures that control nature, families, the economy, companies and other dynamic systems." (Hutchens, 2006.) The inability to see connections in territorial development results among other things from the way of thinking – the so-called linear thinking. Linear thinking is static – we identify the key problems of a territory that we want to or need to address based on our territorial development objectives and based on an analysis of the existing situation. To change them, we adopt a decision (about a strategy, an investment, an activity etc.) and we suppose that our decision will influence the situation in the territory in the desired sense (the following figure).

Fig. 15: Linear thinking model in territorial development



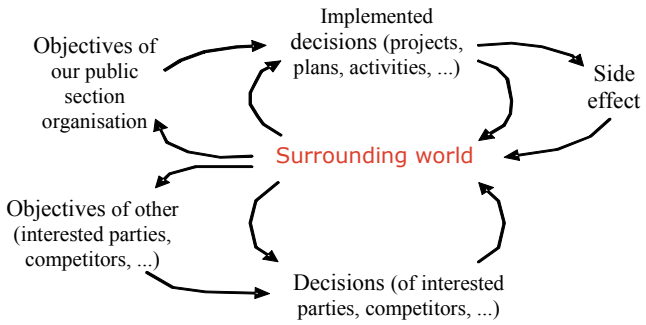
Source: The authors

However, the world around does not work like that. In the real world, the resulting change in the territory is affected by the decisions and the behaviour of all actors. Our decision-making can be a lot more meaningful if we understand the necessary links. In addition, our decision can have side effects that will subsequently affect the situation in the territory (the following picture).

Literature refers to this way of thinking as systems thinking. (Senge, 1994; Hutchens, 2000, 2006; Hušek, Šusta, Půček, 2006). The world is not "linear", it is "dynamic". "Geography has an irreplaceable position in applied regional research – thanks to its synthetic understanding of the reality including complex dynamic phenomena, both of which can be used in decision-making processes." (Mirvald, 2001, p. 101). Systems thinking is one of the five disciplines that are necessary for the successful application of the **"learning organisation"** concept. These five disciplines include (Senge, 1994; Hutchens, 2000; Hušek, Šusta, Půček, 2006): (1) systems thinking, (2) personal mastery (the ability to achieve required or desired objectives while exerting reasonable effort), (3) mental models (a set of beliefs and assumptions about how the world works), (4) shared vision, (5) team learning.

A "learning regions" concept that is understood in the right manner is based on the "learning organisation" concept. It is thus based on the above five disciplines.

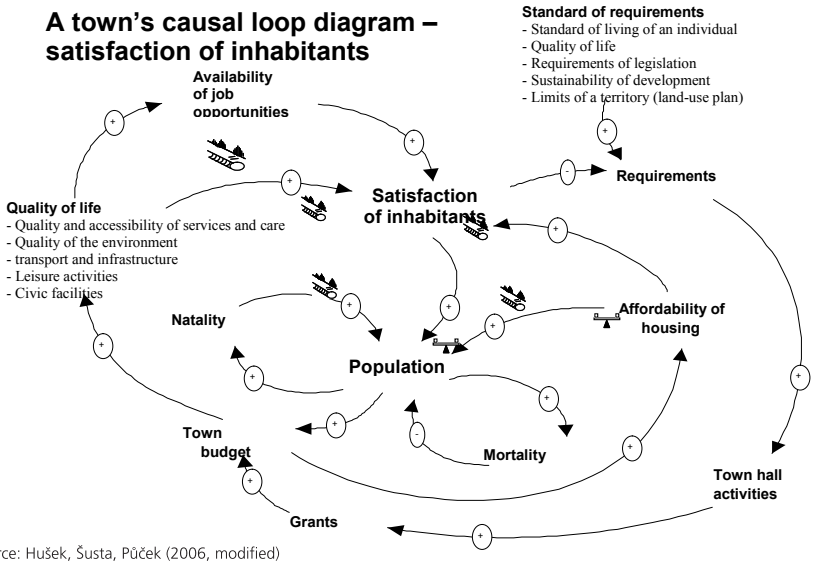
Fig. 16: Systems thinking model using a causal loop diagram



Source: Hušek, Šusta, Půček (2006)

The **"Dynamics" is addressed using feedback loops** that make it possible to examine the influences that have an effect at the local or the regional level (Hutchens, 2000, 2006; Kaplan, Norton, 2006, Hušek, Šusta, Půček, 2006); for example on the population, on the satisfaction of the inhabitants with the quality of life, on unemployment etc. – see the following figure.

Fig. 17: An example of a town's causal loop diagram



Source: Hušek, Šusta, Půček (2006, modified)

This model depiction makes it possible to gain an understanding of the necessary links. Subsequently, this can lead to a simulation of the basic development processes and to the formation of scenarios. Mirvald (2001, p. 102) comments on that: "Strategic development plans and other territorial planning documents can be used as a starting point for process simulation through scenarios."

The inability or unwillingness to see development within its necessary connections (i.e. balanced in the sense of the three pillars of sustainable development) can result in a failure in territorial development. On the contrary, the basis for achieving excellent results is the knowledge of relationships, links and connections (in EU documents sometimes referred to as integrated approaches).

6.2.5. Failure in selecting the methodological approach to public administration management

The preceding part of the text pointed out some significant causes and factors of failures in territorial administration and development. In this connection, many public administration and self-government bodies seek answer to the following question: How can it be that even if we carefully plan all steps, thinking about every detail, and subsequently take the corresponding decisions, the set objectives are still not accomplished? What is the cause of this managerial failure?

The above analysis has shown that the causes of the failure may be both objective and subjective in character. However, up until now, we have not mentioned any causes that are connected with the idea of the so-called **new rationalism** in scientific knowledge and in the management of the society and with the **need for it to be applied to territorial administration and development.**

In practice, present approaches to territorial development have been dominated by an approach that is based on the so-called classical rationalism. This is also known as Cartesian (i.e. Descartean) rationalism (named after its ideological creator R. Descartes, Cartesius in Latin).

Cartesian-type rationality is based on such a way of thinking in which logical procedures can be used to deduce unquestionable conclusions from explicit premises. This methodological approach is based on the belief that if we keep the logical rules of correct thinking, we reach unquestionable conclusions. In the management area that is based on the Cartesian way of thinking, it is assumed that a managing body that can apply the logical rules of thinking to managing the society and can therefore absolutely precisely define the starting conditions (which are presumed to remain unchanged for the entire period of the management activity) must – within its management activities – inescapably reach the set objectives. What often tends to be "overlooked" is that such reasoning only applies to a very limited number of cases where management is performed within enclosed systems. In these, we can use the initial situation to deduce the sequence of phenomena which the system undergoes in the following moments. Similarly, we can deduce a conclusion from the initial premises.

In reality, there are only very few processes that are determinist and reversible. Most certainly, these do not include the area of public administration management, because social systems, i.e. also public administration, are – in character – dynamic systems. In such systems, the initial conditions are subject to turbulence, they change in time. That is also why the initial managerial decisions and the corresponding adopted measures are not changeless dogmas, they are subject to revision, taking account of possible updates.

Dynamic systems need to be managed according to the principles that are characteristic of new (non-Cartesian) rationalism. Characteristically of the system, its predictions incorporate the uncertainty principle, as one of the premises is that the system objectively has no precisely defined future. Its real history develops through a number of different possible histories that have different probabilities. New rationalism thus becomes open rationalism rather than 'a priori' rationalism, enclosed within an aprioristic concept of judgements. For that, a new methodological basis

also needs to be developed for public administration management, where the core change is the new ('non-classical') concept of determinism. It incorporates the uncertainty principle, as one of the premises is that the system objectively has no precisely defined future. Therefore, we also cannot make accurate predictions of such a future. The future can thus occur in the form of various states of the world, i.e. with different probabilities of their occurrence. This also significantly changes the methodological starting points that are necessary for constituting a new approach to public administration management and the associated adoption of new (qualitatively different) management methods that are used under the conditions of uncertainty. We consider elaborating the non-Cartesian approach to social system management[12] to be a key task within contemporary social system management theory and a significant methodological prerequisite to eliminating, to a certain extent, failures in territorial administration and development.

6.2.6. Failure according to Drucker – "non-management" and "non-innovation"

Peter Drucker gives two general causes of failure (Drucker, 2004, p. 19): "Every existing organisation will quickly go bankrupt unless it innovates. On the contrary, every new organisation will quickly collapse unless it manages." According to Drucker, this applies to both the for-profit and the non-profit sectors including, of course, states, self-governments, and their organisations. This means ensuring effectiveness and performance in managing territorial administration and development. Subsequently, based on feedback, elaborately changing and improving (i.e. innovating) everything that is required for good territorial administration and sustainable territorial development, for example legislation, the exercise of state administration and self-government, the implementation of public investments, services provided by public administration etc. This means managing for example in the sense of good governance and Smart Administration. Innovating for example in the sense of "learning" regions.

The inability, unwillingness or ignorance of management is considered the main cause of failure in territorial administration and development.

6.3. Territorial development instruments

6.3.1. The basic division of territorial development instruments

In literature, we can come across various divisions of territorial development instruments, for example into financial and institutional (the latter also include methodological instruments and strategic documents), or into financial instruments, strategic instruments (documents) and methodological instruments or, as the case may be, another combination of the above. For the purposes of this publication **the division into** (1) financial instruments, (2) strategic documents (instruments), (3) institutional instruments and (4) methodological instruments **is used.**

The individual instruments can be **divided according to the level** at which they are used – the level of the EU, the state, the self-governing region, the municipality. Possibly, the levels of NUTS II cohesion regions and of micro-regions (associations of municipalities) can also be added – see the following table.

12 Their methodological starting points can be found in the publication Ochrana, F.: Metodologie vědy (úvod do problému). Praha. Karolinum 2009.

According to the type of the provider, **financial instruments** can be divided into (1) public funding (provided for example by the EU, the state, a self-governing region or a municipality), (2) private funding and (3) public-private partnership (PPP). The provider can use the funding in the territory in the form of (1) granting subsidies or another type of assistance (e.g. the self-governing region allocates subsidies intended for self-governing regions), (2) implementing an investment (e.g. a self-governing region invests into roads within the self-governing region), (3) possibly also financing an activity (e.g. a self-governing region co-finances the operations of a development agency).

Financial instruments at the European Union level can be divided into (1) the Structural Funds (ERDF – the European Regional Development Fund, ESF – the European Social Fund), (2) the Cohesion Fund (CF), (3) other funds (EAFRD – the European Agricultural Fund for Rural Development, EFF – the European Fisheries Fund, EUSF – the European Union Solidarity Fund, pre-accession assistance funds), (4) the EU Community Programmes and (5) the financial instruments of regional policy (JASPERS – Joint Assistance to Support Projects in European Regions, JEREMIE – Joint European Resources for Micro to Medium Enterprises, JESSICA – Joint European Support for Sustainable Investment in City Areas). The issue of cohesion policy was described in Chapter 2.

The overview of territorial development instruments (excluding private funding) according to the level form which they are provided is shown in the following table. The table provides examples.

Tab. 16: Territorial development instruments

Level / Instruments		EU	State	Cohesion region	Self-governing region	Micro-region	Town/ municipality
financial	funds, subsidies and other assistance	EU funds (ERDF, ESF, CF), financial instruments	National programmes, assistance, operational programmes	Regional operational programmes (ROP)	Self-governing regions' subsidies, programmes, assistance	Usually not	Town/municip. subsidies (e.g. cultural, sports
	investments	-	State investments	-	Investments by the self-governing region	Investments by microreg	Investments by municipality
strategic documents	regional development	Legislation (e.g. regulations) on cohesion policy	Legislation and documents (e.g. Act No 248/2000, the Regional Development Strategy, the NSRF)	Document – Regional Operational Programme	Self-governing region development programme	The strategy of a micro-region	The strategy of a town/ a municipality or development programme
	territorial planning	Legislation on the EU Territorial Agenda	Legislation and documents (e.g. Act No 183/2006, the Territorial Development Policy)	-	Principles of Territorial Development	-	A land-use plan, possibly also a regulation plan
	other sectoral	e.g. the Common Agricultural Policy	Legislation and documents (e.g. the Sustainable Development Strategy)	-	Sectoral strategies, e.g. the General Self-Governing Region Transport Plan	E.g. the Tourist Industry Strategy	E.g. community planning of social services

Level / Instruments		EU	State	Cohesion region	Self-governing region	Micro-region	Town/ municipality
institutional	various types of institutions with influence on territorial development	EU institutions	Relevant ministries and other institutions, e.g. managing authorities of operational programmes, CzechInvest, the Regional Development Centre, state funds	Office of the Regional Council	Self-governing region authority and self-governing regions' bodies, also development and other agencies	E.g. the offices of a micro-region	Municipal authority and municipal bodies, also various agencies and publicly beneficial organisations
methodological	method. support, consulting and research	On the cohesion policy and the Territorial Agenda	On operational programmes (e.g. the manual for applicants, the IUDP methodology), regional development, territorial planning	On ROP (e.g. the manual for applicants)	On self-governing regions' subsidies, programmes, assistance	As needed	On municipal subsidies

Source: Půček (2009b)

Within this chapter, we will address in greater detail strategic instruments (documents) and the 'strategic versus territorial planning' relationship. Financial instruments – the Structural Funds – were described in Chapter 2, funding for Smart Administration in Chapter 4.

The **methodological instruments** include for example: consultations, methodological guidelines; e.g. from the state level this is for example the methodology for integrated urban development plans **(IUDP**) – see http://www.mmr.cz/Regionalni-politika/Koncepce-Strategie/Metodicky-pokyn-k-Integrovanemu-planu-rozvoje-mest), manuals (e.g. for applicants for aid from the EU funds), research tasks etc.

In the case of **institutional instruments, this is for example:** (1) The managing authorities and the intermediate bodies of funds (e.g. the relevant departments of ministries, the offices of the regional councils of cohesion regions, the Self-Governing Region Development Centre etc.), (2) funds and other administrators of funding (e.g. the State Housing Development Fund, the State Transport Infrastructure Fund, the relevant departments of ministries), (3) self-governing region, town and municipal authorities (i.e. their departments for strategic and territorial planning, investment departments etc.) and other relevant bodies of self-governing regions and municipalities, (4) associations of municipalities, euro regions, micro-regions etc. and their offices, (5) other offices and institutions (of various legal forms – a business company, a publicly beneficial organisation, an allowance organisation, an organisational unit etc.), founded or established by the state, self-governing regions and municipalities for the purpose of territorial development (e.g. regional development agencies).

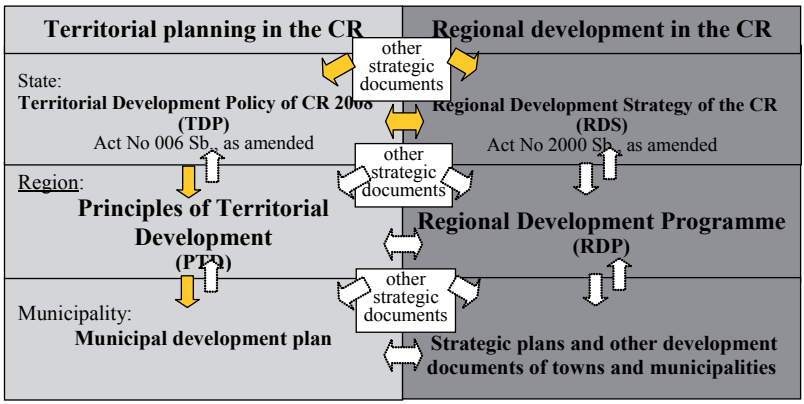
6.3.2. The system of and the interconnection between strategic documents

The system of strategic documents can be divided according to the level at which they are prepared into the levels of the EU, the state, (cohesion regions), self-governing regions, (micro-regions), towns/municipalities – see the table above.

The mutual interconnection between the documents can be assessed horizontally (i.e. for example the way the individual documents of a self-governing region are based on each other) or vertically (for example whether self-governing regions' documents respect the state level or whether municipal documents respect the level of self-governing regions).

The system of documents at the state, self-governing regional and municipal levels from the perspective of territorial planning and regional development is shown in the following figure.

Fig. 18: Territorial planning and regional development documents in the Czech Republic



Source: Kašparová, Půček (2009)

From the **horizontal viewpoint,** the binding nature of the interconnection between documents is different at different levels. At the state level, individual strategic documents must (i.e. should) respect legislation, international agreements and other strategic documents (approved through government resolutions).

At the level of self-governing regions and municipalities, this is often not the case. There is little interconnection between individual strategic documents, which are sometimes even contradictory. At the level of self-governing regions and, even more so, at the level of towns and municipalities it is key that territorial planning documents and development documents are interconnected. That is, the Principles of Territorial Development and the Regional Development Programme for a self-governing region, the land-use plan and the strategic plan in the case of towns and municipalities. This is because it is the territorial limits that are decisive and necessary for the strategic plan, (their source is territorial documentation). On the other hand, it is the knowledge of the plans concerning the use of the territory that is required for creating the land-use plan (the source can be the strategic plan).

From **the perspective of territorial planning,** there is the legal obligation (Act No 183/2006 Sb.) to respect higher levels **(vertical interconnection).** That is, for example, at the level of self-governing regions: The Principles of Territorial Development (PTD) represent territorial planning documentation at the level of self-governing regions and must respect the Territorial Development Policy at the state level. Draft principles of territorial development are prepared (i.e. made) by the regional authority and are submitted to the self-governing region's assembly for approval. The preparation of the PTD is obligatory by law. At the same time, the approved Principles of Territorial Development are binding for preparing and issuing land-use plans (at the level of municipalities), regulation plans (can be issued by both a municipality and a self-governing region) and for zoning process. Municipal land-use plans must therefore respect both the State Territorial Development Policy and the Self-Governing Region's Principles of Territorial Development. In addition, as a rule, lower levels participate adequately in creating and, above all, commenting on the higher level.

However, from the perspective of regional development documents, this is not the case (the right column in the previous picture). While the Self-Governing Region's Development Programme (a strategic document at the level of self-governing regions) is obligatory for the self-governing region pursuant by law (Act No 248/2000 Sb.), respecting higher level of documents is not binding (only recommended). The same is true for the self-governing region – municipality relationship. Meaning that the strategic plan of a municipality does not have to be based upon the Self-Governing Region's Development Programme.

6.4. Public investments as a territorial development instrument (Public investments, public investment projects and their evaluation)

As mentioned in the introductory Chapter, two basic types of activities are performed as part of public administration, namely activities through which the "ordinary (everyday) administration of public matters" is exercised, and activities that are covered by capital expenditure. In the latter case, the financed activities will only generate their effects in the future. These are expenditures on public investments.

The definition of the terms "investments" and "public investments"

Economic theory (e.g. Samuelson-Nordhaus, 1991) uses the term "investments" in two basic meanings. First of all, it is used for the economic activity of a certain entity that gives up present consumption in favour of future utility. The main forms of investments are investments into tangible capital (buildings, equipment, stocks) and intangible investments (investments into human capital, investments into research and development). With respect to their form, investments are divided into net investments and gross investments. The term "net investments" refers to the value of total investments, whose amount is determined as the difference between the value of total investments and the compensation for the depreciation of capital. The term "gross investment" is understood as investments without the deduction of the above compensation for the depreciation of capital. The second meaning of the term "investments" is associated with the financial concept of investments. In this sense, investments are understood as the purchase of securities such as debentures, shares and obligations.

In relation to the term "investments", the term **"public investments"** is a specific term. This means that, with respect to the meaning to the term, "public investments" have the same general attributes as the term "investments". The specific (i.e. differentiating attribute) of public investments is the fact that these investments are financed by the public sector from public budgets. Most often, these have the character of public projects, where the implemented output is either produced and implemented directly by public sector production units (e.g. public administration institutions), or awarded by the public sector to private entities in award procedures or concession procedures pursuant to the Act on Award of Public Contracts and the Concession Act.

Public investments are also implemented at the expense of present consumption, where the publicly elected bodies within the system of representative democracy decide that the public gives up present consumption in favour of future utility that will be gained from implemented public investments (public projects). The general (binding) criterion in such decision-making on public investments (public projects) is the public interest[13]. When determining the public interest, publicly elected bodies take into account both the interests of the public as a whole and the interests of the individual target groups that will benefit from the utility of the implemented investments. The target groups include both the existing citizens and the future (yet to be born) generations. All this should be considered by governments at all levels. Decision-making about investments always has the character of sacrificed opportunity costs (Ochrana, 1999). For example, constructing a public road means not constructing a water treatment plant. Public choice decision makers choose between various investment alternatives and select the alternative that is most preferred in the public choice. This happens within the process of selecting and evaluating public projects.

The procedure for creating, evaluating and selecting investment projects

Most public investments are implemented in the form of public projects – this issue is analysed in greater detail in this work. When creating, evaluating and selecting investment projects, we usually follow the following steps (Ochrana, 2004):

1. We identify the public problem along with the associated public need and define the possible solution methods.
2. We perform an analysis of the framework conditions.
3. We specify objectives and evaluation criteria, taking into account the public interest and public needs.
4. We prepare alternative solutions (investment alternatives).
5. We perform an evaluation of proposed alternatives taking into account the evaluation criteria.
6. We compare the individual alternatives.
7. We select the most suitable alternative and recommend it for implementation,
8. We implement the selected alternative.

Obviously, the initial step consists in identifying an existing social problem. This can be for example the collapse of town transport and the associated air pollution from freight transport. Based on the existing problem, the public need arises to solve the given problem. From the economic point of view, the public need has the form of public demand for public investments (for more information see Ochrana, 2004, 2007a). Public administration bodies analyse the existing problem and identify the possible solution methods taking into account the social expectations that are expressed in the problem-solving objectives. The objectives are the ideal (expected)

13 For information about the issue of public interest see for example Ochrana, F. (2003): Veřejná volba a řízení veřejných výdajù. Praha, Ekopress 2003.

states that will be brought by different problem-solving methods, taking account of the envisaged costs for the given investment project. To achieve that, alternative solutions are prepared and individual alternatives are evaluated based on specified cost and utility criteria, with the most suitable alternative being recommended for implementation (for further information see Ochrana, 2005). Various methods can be used for evaluating the alternatives. Since investments represent "consumption that is postponed in time", it is time that plays the key role in their evaluation.

The issue of time in investment evaluation

In investment evaluation, the issue of time is examined from the perspective of the present value (PV) and the so-called future value (FV).

The following relationship applies to the **present value** (PV):

$PV = B1/(1 + r) + B2/(1 + r)\ 2 + \ldots Bn/\ (1+r)\ n$, where (1)

PV… the present value of the project,

B1 … the benefit of the project (investment) in year 1 expressed in monetary units,

B2 … the benefit of the project (investment) in year 2 expressed in monetary units,

Bn … the benefit of the project (investment) in year n expressed in monetary units,

r … interest rate.

Through substituting into the above equation we calculate the present value of the total financial revenue from the investment under consideration. A similar procedure would be chosen in the case of discounting the costs that ensue from the given investment during its life.

Once the present value of financial revenues from the investment is calculated, we determine whether the present value of the benefits exceeds the costs for acquiring the investment. Therefore, the following has to be true:

$NPV \geq 0$, where (2)

$NPV = B - C$, where (3)

NPV… net present value,

B … benefits from the project,

C … costs for the project.

The above relationship makes it clear that a project is beneficial (acceptable) provided that the difference between the net present values of the benefits and of the costs is positive. In the case of zero difference the project generates neither profit nor loss. If the costs for the project are greater than its benefits, we reject the project. Let us illustrate the calculation of net present value with the following case study.

A case study from the level of public administration

Let us suppose that you have become an analyst and a conceptual officer in the economic department within a self-governing unit or at a ministry that is responsible for implementing Smart Administration. Your task is to prepare the concept for modernising and streamlining the office. The analysis of the existing situation brought you to the conclusion that it is necessary to invest into the technical equipment of the office and to restructure it in order to allow for a "friendly and effective" exercise of public administration. Therefore, you recommend to your superior im-

plementing the changes that require investment costs. Your superior is a relatively conservative manager that is opposed to any change. As a response to your proposals that require investment costs amounting to CZK 50 million he argues that the investment project is too costly. He remarks that "it is a waste of money" because the office in which your changes are to be implemented is going to be relocated in three years' time, and he considers your plan to be a loss-making project. However, you see it differently. It is clear to you that you have to persuade your superior that the invested CZK 50 million will generate savings of at least CZK 50 million over three years (The saved amount of CZK 50 million represents the benefits from the project). What arguments will you use to persuade your superior (possibly the representatives in a self-governing body)?

For the sake of simplicity, let us assume that the acquired investment has a life of three years, and saves CZK 20 million every year. Information from money markets puts the estimated interest rate at 7 per cent.

Now we can calculate the net present value (NPV) of the investment under consideration. We know that (1):

PV = B1/(1 + r) + B2/(1 + r) 2 + …Bn/ (1+r) n ,

Therefore in our case:

PV = 20/1.07 + 20 / (1.07)2 + 20 / (1.07)3 = 52.49

NPV = B – C = 52.49 – 50 = CZK 2.49 million.

The proposed project can be implemented because it generates net benefit of CZK 2.49 million.

The aspect of time can also be expressed using the **future value** (FV). This relationship is used for evaluating financial investments. The following relationship applies:

FV = PV (1 + r),where (4)

FV ... future (expected) value

PV ... present value

r ... interest rate

For year n, future value (FV) is defined using the following relationship:

FV = PV (1 + r)n , where (5)

n … number of years.

We can demonstrate the above problem on the following **example:** We want to determine the future value (FV) of today's CZK 0.85 (PV), i.e. what the future value will be in 50 years from now at an annual exchange rate r = 10%. After substituting to the equation (5), we get the following:

FV = 0.85 (1 + 0.10) 50

FV = CZK 100.

In 50 years, the present value of CZK 0.85 will be worth CZK 100.

Methods for evaluating public investments

A number of methods can be used for evaluating public investments. In addition to the above methods of calculating the present value (i.e. the net present value) and the future (expected) value, these also include in particular the rentability index method, the payback period method and the internal rate of return method.

If we use the rentability index method, the following relationship applies:

RI = E/C, where (6)
RI … rentability index,
E … estimated annual average benefit from the project,
C … costs for the project.
We will demonstrate the above relationship with the following example. Let us suppose that there are three investment projects which we need to evaluate based on the return on investment method. The data of the projects is as follows:

Tab. 17: Project evaluation based on the rentability index

Project (investment)	Costs for the given investment (CZK millions)	Estimated average annual benefit	Rentability (%)
A	65	23	35,4
B	58	19	32,8
C	71	25	35,2

Source: The autors

When calculating the RI, the costs for the project (C) are calculated as the costs of year zero (i.e. acquisition costs). After substituting into the relationship (6) we calculate the rentability index of the individual investments. For example, the rentability index for investment A is (23/65) * 100 = 35.4%.

For evaluating investments, we can also use the **investment payback (recovery) period** method. The following relationship applies to the investment payback period:
TS = C/CF, where (7)
TS… investment payback period,
C…. costs for the investment,
CF… annual net cash flow.
Let us suppose that we have to recommend the most beneficial investment project for implementation based on the investment payback period method. The data for evaluation are presented in table :

Tab. 18: Project evaluation based on investment payback period

Project (investment)	Costs for the given investment (CZK millions)	Annual expected net revenue (CZK millions)	Investment payback period (years)
A	65	6,8	9,6
B	52	5,8	9,0
C	44	6,6	6,7

Source: The autors

We use the above data, substitute into the relationship (7) and calculate the investment payback period. For example investment A has a payback period of 65/6.8 = 9.6 years.
Another significant method for evaluating investments is the **internal rate of return** (IRR) method. This method is based on the idea of present value. When using the IRR method, we look for such interest rate at which the present value of the expected revenues from the investment equals the present value of the costs for

the given investment. We are therefore solving an equation where there is zero difference between the present value of expected revenues and the costs for the given investment. That is:

B1/ (1 + i) + B2/ (1 + i) 2 + B3 / (1 + i) 3 + … Bn / (1 + i)n = C , where (8)

B1 … financial revenue from the project in year 1,

B2 … financial revenue from the project in year 2,

B3 … financial revenue from the project in year 3,

Bn … financial revenue from the project in year n,

n … the number of years when there are benefits from the investment,

i … unknown interest rate that we will calculate taking account of the specified revenue from the investment

C … investment costs for the project.

When calculating the IRR, we know (estimate) the benefits in the individual years and the total costs for the project. In addition, we specify the project's expected rate of return. According to the IRR, such projects are acceptable that generate a higher internal rate of return that the investment's required minimum rate of return. We can perform the calculation of the IRR in the Excel software application. Basically, the application performs iterations, which we would have to do manually, using the following steps:

1. we arbitrarily choose an interest rate and use it for discounting the expected benefits,

2. we compare the sum of the discounted financial benefits with the investment costs for the project,

3. if the discounted revenues are higher that the costs for the project, we chose a higher interest rate and repeat the calculation at this interest rate,

4. if the discounted revenues are lower that the costs for the project, we chose a lower interest rate and repeat the calculation at this interest rate,

5. we calculate the selected IRR using interpolation (possibly graphically) according to the relationship (9).

The following relationship applies to the interpolation:

IRR = in + (NPVn) / (NPVn + NPVv) * (iv – in), where (9)

IRR… internal rate of return,

in … the lower chosen interest rate,

NPVn … net present value (as the absolute value) at the lower chosen interest rate,

NPVv … net present value (as the absolute value) at the higher chosen interest rate,

iv … the higher chosen interest rate.

We compare the calculated internal rate of return with the required rate of return for the given investment (project). If the project's calculated rate of return is higher than the required rate of return, we recommend the project for implementation.

The IRR method has its limitations. It cannot be used if we are deciding between mutually exclusive projects. These are such projects that cannot be (e.g. due to limited resources) implemented simultaneously, even though they are effective. Also, the IRR method cannot be used if the given investment generates any so-called non-standard cash flows. These are such cash flows during which more than one change from negative to positive flow occurs. In such a case, there are multiple IRRs, which makes no sense from

the economic point of view as no project can have multiple IRRs. Therefore, the net present value method will be used for project evaluation in both of the above cases.

The presented methods make it possible to evaluate the costs and the benefits of projects from various viewpoints. Obtained information can be used by public administration bodies to **support managerial decision-making.** However, they may under no circumstances take away these bodies' decision-making obligations with respect to selecting and implementing the project.

6.5. Summary

This chapter has described four causes of failure: (1) the inability to manage the "society – nature" relationship, (2) failure in using resources, i.e. wasting (3) the inability to see connections and understand them – the shift towards systems thinking and, last but not least, (4) failure according to Drucker – the inability to manage and innovate. The inability to duly manage territorial administration and development is considered to be **the main cause of failure.** Of course, specific crises have their own specific causes. However, generally speaking, failure in territorial administration and development plays a significant role in any specific crisis.

Territorial development instruments have been **defined and described.** To these, strategic instruments (documents), financial instruments (public funding, private funding, PPP), institutional instruments and methodological instruments have been assigned. The instruments, structured in the above manner, were further divided according to the level at which they are provided (the EU, the state, cohesion regions, self-governing regions, micro-regions, municipalities). Greatest attention was given to strategic documents – especially the horizontal and vertical (non)interconnection between regional development documents and territorial planning documents. In the territory, there are enough instruments for tackling good territorial administration and development. However, it is necessary to avoid the causes of failure.

In Chapter 5, the simultaneous fulfilment of the following three criteria was considered the most significant for good governance and well-thought-out territorial development: (1) selecting and pushing through the right (i.e. the most needed and the most important) investments, activities, measures and legislation, (2) implementing them in the right manner and (3) communicating with the public in the right manner. The use of suitable territorial development instruments is thus included in these three criteria.

The key actors within the territory bear their share of responsibility for good territorial administration and sustainable territorial development. In this respect, both the state and the territorial units play an irreplaceable role, as it is them with whom the main responsibility for administering and developing their territory rests. The objective of both self-governing regions and towns is to ensure good administration and development of their territory.

7. Strategic planning and Smart Administration

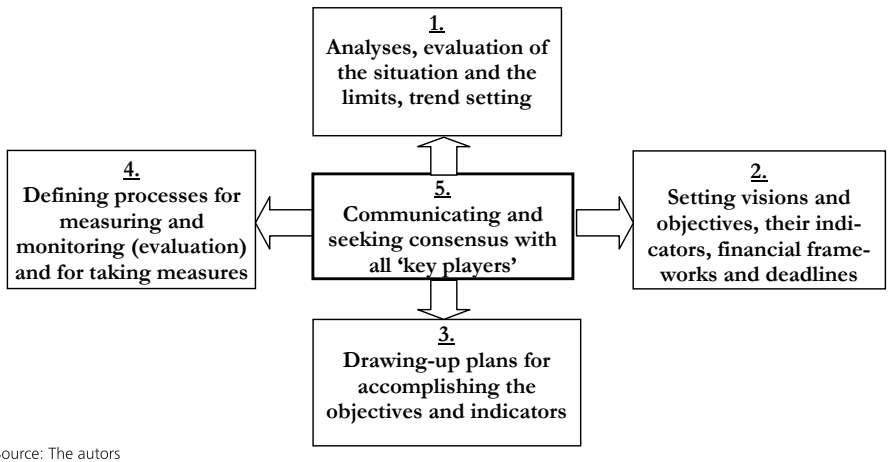
7.1. Strategic planning process, approaches, and methods

Strategic planning

Strategic planning plays an important role in Smart Administration. Within strategic planning in the public sector, it is necessary to (1) evaluate the existing situation, the limiting conditions (e.g. territorial and financial limits etc.) and the possible development trends (scenarios), (2) set visions, objectives and their indicators, financial frameworks and other resources, deadlines, (3) prepare concepts and plans for achieving these objectives and indicators, (4) define procedures for measuring and monitoring the results (evaluation) and for taking measures and (5) seek consensus with all 'key players' including the public on all phases of the strategic planning process (communicating with the public in the right manner – see the 'doing the right things right' model in Chapter 5.2).

Creelman, Harvey (In Vacek, 2004, p. 5) describe the significance of communicating with the 'key players' within strategic planning as follows: "Without top management's strong commitment to management values and principles oriented towards interest groups, there is little chance for the organisation to move forward." Osborne and Gaebler (In Vacek, 2006, p. 29) stress the significance of consensus: "In the public sector, there is another necessary element: consensus. The public sector has more interest groups than a business does, most of whom are voters. In order to change anything that matters, everyone has to reach consensus."

Fig. 19: Strategic planning in the public sector



Source: The autors

In strategic planning, it is necessary to think in broader context. That is to avoid 'linear' thinking and respect the dynamics of the environment (systems thinking – for more information see Chapter 6).

In addition, it holds true that the objectives must be measurable. English literature often states that objectives should 'correspond' to the SMART acronym (see Chapter 4).

Strategic planning usually has 4 phases:

(1) **The analysis phase** – (a) identifying the territorial limits, all other limits and limitations (for limitations see Chapter 5.2), collecting additional data, determining the needs and expectations of the citizens and of other 'key players' (actors), environmental changes, identifying resources and financial frameworks, conditions, abilities, deadlines etc., (b) identifying trends and evaluating scenarios (respecting the dynamics of the environment: working with systems thinking – see Chapter 6).

SWOT analysis (the analysis of the Strengths, Weaknesses, Opportunities, and Threats) is often used in this phase. In addition, various types of financial analyses and various 'sectoral' analyses (for towns and self-governing regions for example the demographic study) are used, as well as the PEST analysis (evaluating the organisation's Political, Economic, Social, and Technological environment) and other instruments (e.g. the brainstorming method is often used to find a vision – see Chapter 13). In this and other phases of the strategic planning process, benchmarking (comparing yourself to others) and benchlearning (learning from others) can be used.

(2) **The plan preparation phase** (i.e. the **phase of selecting** the priorities, objectives, indicators, programmes and projects). The output of this phase of strategic planning is a prepared strategic plan, including action plans or programmes and projects. Also, it includes the setting of procedures for plan evaluation and the procedures for taking measures. Funding and other resources, performance deadlines or schedules need to be assigned to objectives, i.e. to the plans for accomplishing them.

(3) **The phase of implementing** the strategy – this includes implementing the programmes, projects, action plans etc., monitoring and measuring, taking measures. The output of this phase of strategic planning is the accomplishment of the objectives and target values set in the strategic plan within prescribed deadlines and financial frameworks, including evaluation.

(4) **The strategic learning and improvement phase,** i.e. the preparation of a new round of strategic planning.

From the perspective of the approach to strategic plan preparation and **the involvement of the citizens and other stakeholders,** there are the following basic approaches within strategic plan preparation:

(1) The expert approach (the plan is prepared mainly by experts with the participation of management). This is sometimes also referred to as the 'top-down' approach – according to the flow of the preparation from the organisation's management to the lower levels.

(2) The community approach (the plan is prepared with a substantial contribution by the employees, citizens/customers and other stakeholders), which is also referred to as the 'bottom-up' approach.

(3) A combination of both approaches.

From the perspective of the method and the management used in the process of strategic planning, the following breakdown can be applied:

(1) A classical strategic plan that is usually drawn-up in the PEST structure (evaluating the organisation's Political, Economic, Social, and Technological environment). It is implemented using for example the PDCA cycle – see Chapter 8;

(2) A strategic plan that is drawn-up using the log frame method. Plan implementation is managed using the log frame method (i.e. the project management method – see Chapter 11);

(3) a strategic plan using the BSC (Balanced Scorecard) method, see http://www.npj.cz/informacni-centrum/nabidka-publikaci/;

(4) IUDP – Integrated Urban Development Plan. The principles of the integrated plans are based on the Leipzig Charter (see Chapter 2) and are used – in the Czech Republic – by towns for drawing resources from Regional Operational Programmes (ROPs) and the Integrated Operational Programme. The methodology for preparation can be obtained at http://www.mmr.cz/Regionalni-politika/Koncepce-Strategie/Metodicky-pokyn-k-Integrovanemu-planu-rozvoje-mest;

(5) Other methods and procedures according to the organisation's character.

If strategic planning is applied adequately, there is room for growth, competitiveness, excellence, synergy, improvement in the quality of life etc.

Success factors and strategic planning

In 2004, the National Network of Healthy Towns and Self-Governing Regions of the Czech Republic (see www.nszm.cz) carried out a survey of the application of sustainable development principles within strategic planning. The survey indicated the following significance of success factors in strategic planning.

Tab. 19: The significance of strategic planning factors

No.	Factor of the quality of the strategic planning process	Significance
1	Title of the strategic planning document or project	insignificant
2	Participation of the author	medium-significance
3	The methodology of document preparation	significant, yet not decisive
4	Involvement of the public	significant, yet not sufficient on its own
5	Strong political leadership of the process	highly significant
6	Long-standing resolve and ability to implement the document into everyday practice in management and coordination	highly significant

Source: Hušek, Šusta, Půček (2006)

Strong political leadership is considered highly significant. In addition, it is the ability and the resolve to implement the strategy. The inability to transfer the strategy into common practice of towns, self-governing regions and authorities is the cause of strategic planning failure.

7.2. The BSC method

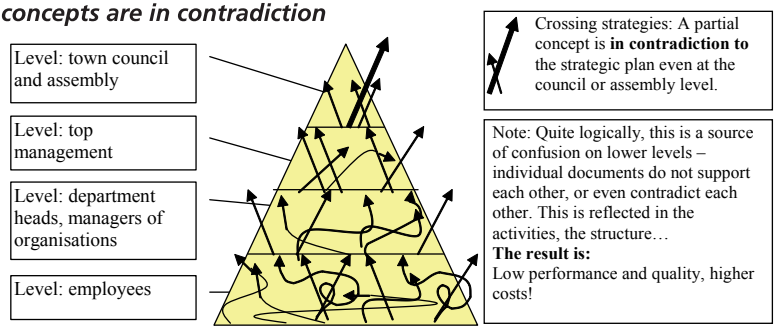
7.2.1. Confused strategies – common practice in public administration?

If we want to achieve a truly high performance in managing an authority or any organisation (for example at the town or self-governing-region level), we need to apply strategic management in the right manner (for example using the BSC – Balanced Scorecard method). However, the unwavering support of the management is a necessary prerequisite. Why? The BSC method addresses both the strategic and the operational management levels (which is not particularly extraordinary) and a set of balanced indicators is used to direct the organisation's effort in a defined direction (which is significant). **Only where all effort is directed in a single direction, truly remarkable feats can be performed.** However, few public sector organisations

are able to apply this millennia-old theorem on accomplishing set objectives in practice. In common practice, priorities often lack clarification, strategies 'devour each other' (contradict each other). This is a great problem in public administration.

In public administration, it is no exception that a situation occurs, where the individual adopted concepts and strategies are in contradiction. They are not in accordance with the strategic plan (see the following figure).

Fig. 20: The management level of towns and self-governing regions, strategies and concepts are in contradiction

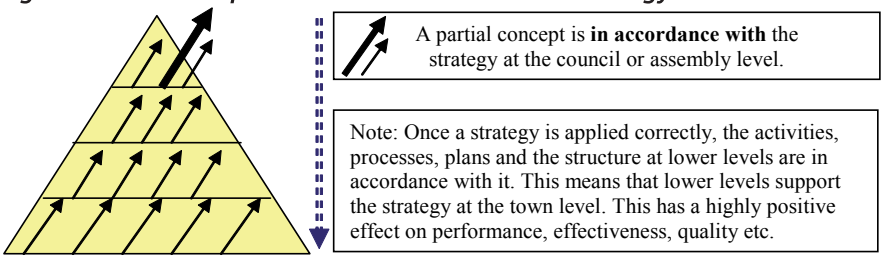


Source: Hušek, Šusta, Půček (2006)

Quite understandably, this has a very negative influence on the performance of the authority, allowance or other organisation of the town/self-governing region. Individual managers and employees proceed according to their 'departmental' concepts. They refuse to accept their colleagues' requirements (and defend their 'departmental' concepts), because they would get into contradiction with their 'departmental' concepts. For example, the department of social affairs may happen to proceed in line with the Roma integration policy that, however, is in contradiction to the crime prevention policy (advocated by the department of education). Needless to say that in the past, both policies were approved by the assembly, yet are in contradiction to the strategic plan (that was created later), which addresses the issue differently.

The following figure shows – in a graphic way – the harmonisation of all partial policies with the strategic plan and the cancellation of unnecessary or obsolete documents. Performance, quality and effectiveness will increase considerably.

Fig. 21: Partial concepts are in accordance with the strategy at all levels



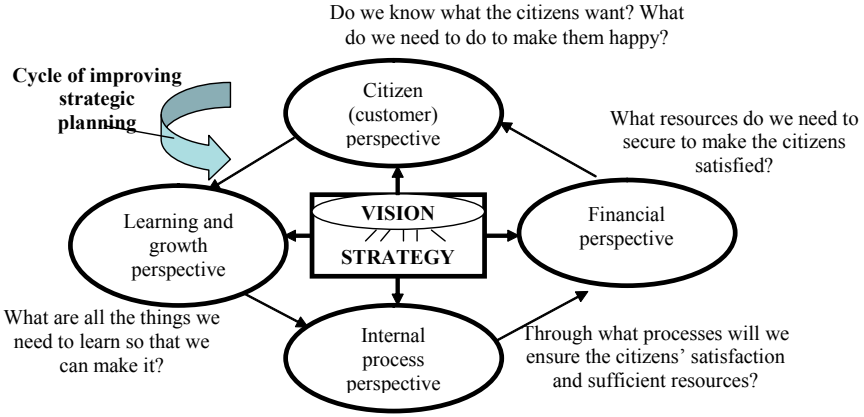
Source: Hušek, Šusta, Půček (2006)

This has explained one of the strengths of the correctly applied BSC method – the support for strategies by all levels of the organisation is ensured.

7.2.2. What is the Balanced Scorecard (BSC) method

"There has been an increasing use of strategic management frameworks such as the BSC in the public sector." (See Creelman, Harvey, In Vacek, 2004, p. 51). The authors of the method are Kaplan and Norton. The method was created in the USA and is used not only in the USA, but also in Europe, with great success in both businesses and public administration. In Czech texts, the name is either not translated at all, or it is sometimes referred to as "Metoda vyvážených ukazatelů", or "Metoda vyváženého úspěchu" (BSC) etc. The logic of the BSC method is explained in the following figure.

Fig. 22: The BSC method for public sector organisations



Source: Hušek, Šusta, Půček (2006)

At the core of the BSC method, there is a set of balanced indicators. The necessity of having available indicators at all levels is mentioned – in connection with sustainable development – for example by Professor Moldan: "Sustainable development indicators must be used in a way to gradually create a firm basis for decision-making processes at all levels." (See Moldan, 1996, Chapter 1). The method, when applied correctly, is also the basis for the 'learning regions' concept.

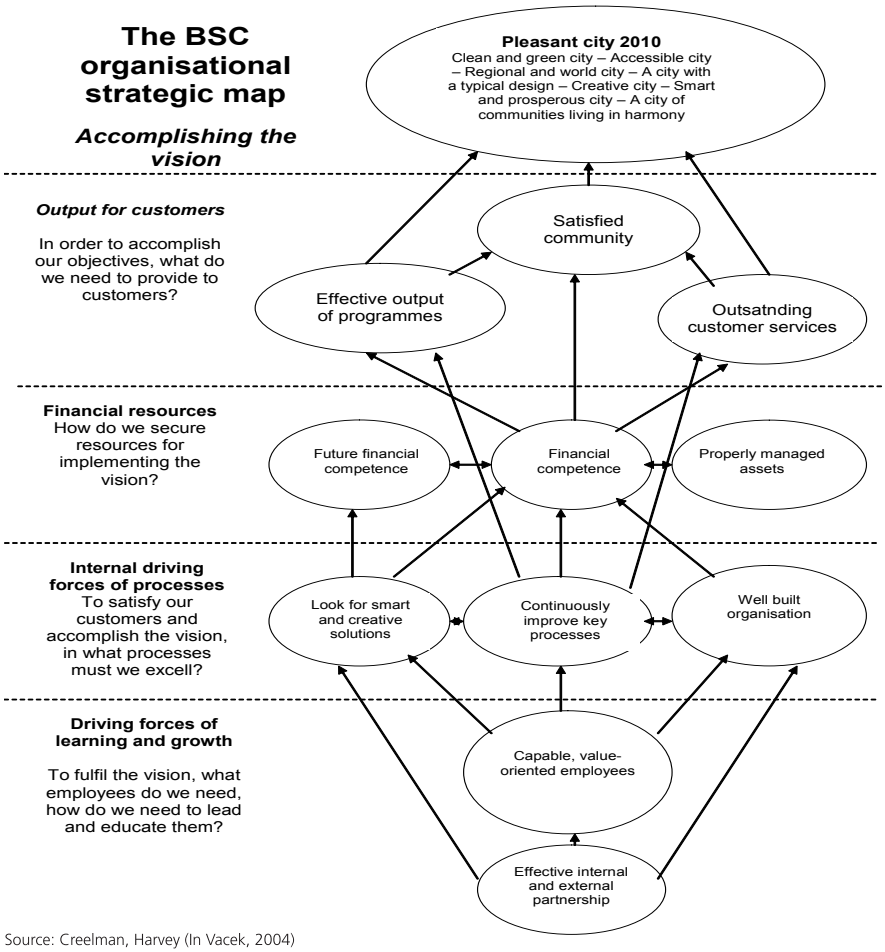
Before applying the BSC method, the vision and the strategic priorities need to be clarified. It is not a task of the method to set the vision and the strategies, but rather to ensure their accomplishment. The vision and the individual strategies of a town, a self-governing region or an authority are viewed from four perspectives that need to be balanced. Firstly, it needs to be clarified whether the needs and the **expectations of our citizens** or customers are known. Plainly speaking, whether we know what they want. This is connected with finding out what needs to be done to make them happy. These and similar questions belong within the citizen/customer perspective. Another group of themes involves **financial issues.** What resources (financial, human, buildings, equipment etc.) do we need to fulfil our vision (and strategies), while satisfying the customers/citizens? In addition, a **system of processes** needs to be identified through which we will ensure sufficient resources and customer/citizen satisfaction. It is important not to forget about **growth and learning.** That means to identify what it is we need to learn in order to cope.

For any strategic plan, simplicity and lucidity to citizens is of significance: "It is the simple and lucid form that allows for a broader involvement of the representatives of both interest groups and the public in the entire process of preparing and processing the strategic plan (Local Agenda 21) and, subsequently, in implementing it." (See the MRD). The strategic map fulfils this condition.

7.2.3. Putting together a strategic map

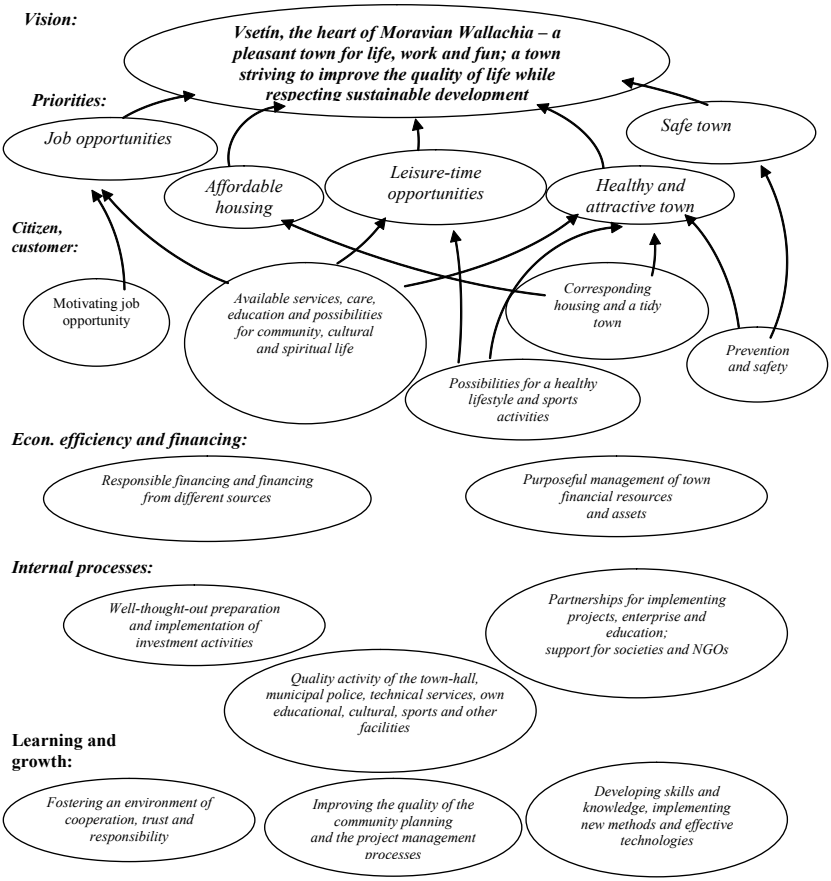
The individual areas including their links are then displayed using a 'strategic map'. The sample strategic map of the city of Brisbane is shown in the following figure. For comparison, the strategic map of the town of Vsetín is also shown. It is advisable that a description of the content of individual ovals be drawn up.

Fig. 23: The BSC strategic map of Brisbane



Source: Creelman, Harvey (In Vacek, 2004)

Fig. 24: BSC – An example of a strategic map for a town



Source: Hušek, Šusta, Půček (2006)

7.2.4. The BSC benchmark set

For each oval, a **certain number of benchmarks** (indicators) have been created that capture the positive and possibly also negative development of a given theme's success. "As a general rule, people who are involved in the process of identifying benchmarks need to address the issue of setting the right 'right' benchmarks. While benchmarks should be based on strategic objectives, this does not mean that they are easy to use." (See Creelman, Harvey, In Vacek, 2004, p. 32).

An **unambiguous methodology** is created for the benchmarks. The number of benchmarks depends on the local conditions (for a town, 25 to 35 benchmarks can be considered an adequate number). The so-called soft factors that have not been mentioned yet can also be used (satisfaction, quality etc.) These are often more important to individual citizens than tables indicating adherence to the budget. **The resultant table of benchmarks is called Balanced Scorecard** (see the following table).

The left column indicates the individual themes (transcribed from the individual 'bubbles' of the strategic map). The right column indicates the benchmark names.

Tab. 20: A sample benchmark set of BSC strategic themes – a town

Theme:	Benchmark name:
Vision	**0.1 Citizen satisfaction index**
	0.2 Ecological footprint
	0.3 Town population
Citizen, client	
1. Motivating job opportunity	1.1 Unemployment rate
	1.2 Average salary
2. Available services, care, education and possibilities for community, cultural and spiritual life	2.1 Availability of services and care
3. Possibilities for a healthy lifestyle and sports activities	3.1 Health of the inhabitants
	3.2 Possibilities for a healthy lifestyle
4. Appropriate housing and a tidy town	4.1 Quality of life on housing estates
	4.2 Number of newly built flats and single-family houses
5. Prevention and safety	5.1 Feeling of safety
	5.2 Prevention-oriented activities
	5.3 Crime in the town
	5.4 Traffic accident incidence
	5.5 Safety infrastructure
Economic efficiency and financing of activities	
6. Responsible financing and financing from different sources	6.1 Indebtedness of the town
	6.2 Operating-cost effectiveness (%)
	6.3 Obtained subsidies and grants
	6.4 Investments of other entities within the town's territory
7. Purposeful management of town financial resources and assets	7.1 The use of assets
	7.2 Increase in town assets
	7.3 Economic efficiency in managing financial resources
Internal processes	
8. Well-thought-out preparation and implementation of investment activities	8.1 Industrial zones and their use
	8.2 Investments of the town
9. Quality activity of the town-hall, municipal police, technical services, own educational, cultural, sports and other facilities	9.1 Quality and performance of the office – benchmarking
	9.2 Quality and performance of the office according to the CAF methodology
	9.3. Workplace audit including complaints
10. Partnerships for implementing projects, enterprise and education; support for societies and NGOs	10.1 Fulfilment of the community plan for health and quality of life

Theme:	Benchmark name:
Learning and growth	
11. Fostering an environment of cooperation, trust and responsibility	11.1 Satisfaction of employees of the authority
12. Improving the community planning and the project management processes	12.1 The number of projects
	12.2 Local partnership with the public – Agenda 21
13. Developing skills and knowledge, implementing new methods and effective technologies	13.1 New methods and technologies at the authority
	13.2 Qualification of the staff at the authority
	13.3 Proposals for improvement at the authority

Source: Hušek, Šusta, Půček (2006)

The presented example shows that 32 benchmarks are used for management at the town level. A clear measurement methodology and target values for both the current year and 2010 are defined for each benchmark.

7.2.5. The procedure for applying BSC in public administration

Before starting BSC application, the following needs to be clarified:

(1) Do we only want to apply it within the authority[14] (the BSC of an authority), or in a public corporation, such as a town /self-governing region (the BSC of a town/ self-governing region)? Both approaches are possible. Obviously, the BSC of a town/ self-governing region is more complex and also more difficult to implement, as it is subject to approval by the assembly. Solving this key question results in a decision on the scope of BSC implementation. As an example, it can be mentioned what possibilities a self-governing region has from the implementation scope perspective. A self-governing region can implement BSC:

– As the BSC of a self-governing region. In this case, the self-governing region is understood as the given territory. Using BSC, we want to change the self-governing region's profile. As benchmarks, we use 'macro' data for the given region (if possible, structured according to e.g. districts).

– As the BSC of a self-governing region's public corporation. Here, BSC relates to bodies of the self-governing region, authority and all founded or established organisations or companies.

– As the BSC of an authority. Here, the BSC addresses the exercise of self-government and the delegation of powers for the exercise of state administration to the authority.

– At a part of an authority or in selected organisations or companies of a self-governing region.

The above options have no clearly defined boundaries – other combinations can be mentioned.

(2) Do we want to further extend the BSC on the town's organisations and companies?

(3) From the town level, do we want to break it down further onto departments, sections and employees (in Vsetín, we call this performance parameters when refer-

14 or another public sector organisation

ring to the level of employees)? This makes sense especially if we interconnect the BSC with the remuneration system.

(4) Do we really have the strength, the willingness and the possibilities to perform changes?

The main steps for implementing the BSC are:

(1) Decide to apply the BSC, define the scope of implementation, plan the implementation procedure and create the conditions for it.

(2) Review all strategic documents, confirm the validity of the vision and of the main strategies, perform necessary training.

(3) Establish a strategic map and discuss it with all stakeholders.

(4) Compile a list of benchmarks for individual themes of the strategic map and discuss them with all stakeholders. Adjust the strategic map as necessary.

(5) Specify measurement methodologies, define responsibilities, and set target values. Discuss with all stakeholders and make adjustments.

(6) Approve the strategic map and the benchmark set, including measurement methodologies and target values.

(7) Transfer (cascade, break down) benchmarks onto lower management levels (e.g. the 'scorecard' of a town can be broken down into the 'scorecard' of a department). Every unit and individual must be aware of their share with which their work contributes to the strategy.

(8) Commence measurement and regularly evaluate results.

(9) Interconnect the BSC with remuneration.

(10) Draw up a plan of measures (or action plans) for accomplishing the objectives and implement them.

(11) Evaluate results, perform necessary adjustments (a repetition of the entire cycle).

When starting a project, the following questions need to be answered:

– How do we work with customers or citizens?

– What other methods do we already use? Is quality and performance management applied in any way?

– Is the organisation clear about the processes?

– Does it compare itself to others (benchmarking or benchlearning)?

– How is the management system built up, what is its structure and documents?

– Is the organisation's annual report available?

– What are the organisation's main objectives towards the citizens, in the areas of finance, processes and performance, learning and towards the employees?

7.2.6. Conclusion on the BSC – the advantages of the BSC

The application of the BSC method in management brings utility. However, this only applies as long as it is really implemented into the management structures. To achieve that, it is necessary to gain the support of the top management and the involvement of key employees.

The main benefits of the BSC are:

a) **Clarity:** The strategic map fits on one A4 page.

b) **Balance:** We say not only what we want to implement for the citizens, but also under what financial conditions, using what processes and, in addition, what we need to learn for that.

c) **Measurability:** A relatively small number of benchmarks can be set, these can be monitored and the trend can be evaluated.

d) It creates a **basis for remuneration** (measuring performance and the quality of work).

8. Quality, performance and Smart Administration

8.1. Approaches to quality and performance

8.1.1. Reasons for improving quality and performance

Why should the methods be applied: Nowadays, it is no longer possible for ministries, authorities and town halls to claim that they are doing everything possible and everything they can for the citizens and for the development of the region, that well functioning public services and authorities are their priority, while – at the same time – acting bureaucratically, working ineffectively and with poor performance, doing bad work, wasting resources etc. Public administration modernisation in the sense of effective, high-performance and quality work (i.e. in the Smart Administration sense) is thus slowly becoming common practice of many self-government authorities (and not only these). Both politicians and the key employees in the public sector are aware that (see Osborne, Gaebler, In Vacek, 2006, p. 22): "When dealing with the public administration, what irritates people the most is the arrogance of bureaucrats. Nowadays, people are used to being treated as valued customers and they expect a similar approach from the public sector."

Motivation for applying methods of quality and performance: Terms such as quality, ISO, benchmarking, BSC and others have been used in both industry ant the entire business sphere for several decades. In recent years, these methods have also been applied on an increasing scale in improving the activities and the performance in public administration.

The use of these methods (i.e. approaches within Smart Administration) can be **motivated or justified** for example by: (1) the effort to effectively pursue the vision and the strategy of a town or a self-governing region; (2) responsibility to the mandate which the politicians received in elections; (3) the effort to find ways to effectively manage a ministry, an office and the development of a region or a municipality; (4) the search for an instrument for improving the citizens' quality of life and for obtaining feedback whether the citizens are satisfied, i.e. within the principles of sustainable development; (5) the effort to improve the performance of an office; (6) the effort to map the citizens' needs and wishes; effective communication with the citizens going both ways; (7) the effort to reinforce the credibility of the town and the self-governing region for drawing on both EU and state funding; (8) the need to create non-corruption, creative and partnership-oriented environment; (9) better-quality and higher-performance asset management, procurement and investment management; (10) an interest in improving the efficiency of public administration and the quality of services; (11) the effort to reduce risks, make good use opportunities and knowledge etc.

Of course, the ideal situation is when these methods are used as a means of pursuing the public sector organisations' objectives – i.e. a means of improving the citizens' quality of life while respecting the principles of sustainable development, improving the efficiency of public administration and services. The effort thus aims for a management style that allows for the right things to be done right (see Chapter 5).

8.1.2. Quality versus performance versus costs

First, it is useful to **define the term 'quality':**

In public administration, quality is most often defined as "the degree to which the customers' justified requirements for a required public service and the citizens' jus-

tified requirements for the quality of life in the given municipality, region or self-governing region are fulfilled", while:

- **the customers** (for example applicants at an authority, participants in administrative proceedings etc.) expect that their applications and their need for a service will be processed quickly, without legal or other shortcomings, and at the required standard;
- **the citizens** expect the quality of life in their municipality, region or self-governing region to improve;
- **public services** are services that are provided in the public interest;
- **the eligibility** or ineligibility of the **customers' requirements** is in many cases defined by legal regulations or by means of standards (e.g. applications for the payment of social benefits cannot be granted if conditions have not been met, or a part of health care is paid by the patient because it goes beyond standard care);
- **the eligibility** or ineligibility of **the citizens' requirements** for the quality of life is limited by other citizens' requirements, the availability of financial and other resources, legal regulations and the principles of sustainable development (not every municipality can have a school, a hospital, a 3rd degree delegated authority etc.)

Smart Administration approaches are used for improving quality and performance. Quality and performance are 'communicating vessels'. Pushing only for efficiency without understanding the wider context and connections can lead to low quality of services, large numbers of complaints, customer dissatisfaction etc.

When optimising any public service, it is therefore advisable that we evaluate accomplished objectives at least according to **the following criteria:** (1) quality for the customer (includes availability, also with respect to time), (2) **performance** of the public service, (3) **costs** disbursed for the service. The fourth criterion is the **satisfaction** of customers using the service (and the satisfaction of employees). That said, the following obviously holds true: performance / costs = productivity.

When assessing these criteria (quality – performance – costs – satisfaction), it needs to be taken into account that the objective of public administration is to improve the citizens' quality of life. Quality, performance and satisfaction with a specific public service can contribute to accomplishing that objective. In this publication, we will only briefly address the relationship between quality, performance and the costs of a public service (see the following table).

Tab. 21: The relationship between quality – performance – costs of public service

	Quality	Performance	Costs	Explanatory notes to the table:
Ideal situation	^	^	v	Explanatory notes to the table: ^ increase, v decrease, 0 stagnation, strong increase
Examples of objective setting: objective 1 or	^	^	0	
objective 2 or	0	0	v	
objective 3	^^	0	^	
etc.	many other combinations			
Negative development	v	0	0	
or	0	v	0	
etc.	many other combinations			
Crisis			^	

Source: Půček, Kocourek (2005)

For those interested in the influence of satisfaction, these relationships are described in the publication entitled "Měření spokojenosti v organizacích veřejné správy – soubor příkladů" (Measuring Satisfaction in Public Administration Organisations - A Set of Examples) – see http://aplikace.mvcr.cz/archiv2008/odbor/moderniz/spokojenost_final.pdf .

The ideal situation occurs when all three criteria are improving. The objective is to improve at least one of the criteria. **Negative development** occurs when one or more criteria deteriorate. The above seems to be quite simple. In practice, however, it brings a lot of problems:

(1) it often tends to be bad practice in public administration organisations that none of these criteria is measured sufficiently (or is even monitored); or

(2) the criteria are measured (e.g. costs) at the level of the authority rather than the level of the individual service. To ensure sufficient monitoring of costs, it is necessary to implement managerial accounting and to clearly define what information is needed, how often and why. This situation in cost monitoring could by improved considerably by an elaborately designed financial control system pursuant to the Act on Financial Audit. However, such a system is usually limited to carrying out audits. It thus fails to become a bridge to real controlling that would both operate in suitable complementarity with other approaches applied within Smart Administration, be derived from the strategy and cover all necessary links: (a) strategy – operational level – conditions, (b) prerequisites to results – planned (target) values – actual accomplished results, (c) purposefulness – effectiveness – economic efficiency, (d) costs – performance – quality – satisfaction, (e) opportunities – risks etc.;

(3) (public service) process performance and the performance of individual employees are not measured. Performance target values are neither set nor linked to remuneration, or are set in a completely unspecific manner. Performance parameters include for example the number of operations per one employee, the number of maintained records per one employee, the number of decisions per one employee, the number of investments etc. In most cases, a single parameter is not enough for any employee. There need to be multiple performance parameters. It is difficult to set the performance limit. It helps greatly if we perform benchmarking or benchlearnig (for more information see Chapter 8.2.6). For example, the linkage between performance parameters and the strategy is one of the strengths of the BSC method (for more information see Chapter 7);

(4) quality often tends to be 'neglected' completely, or it is only perceived as service availability. Among other things, this is due to the fact that the qualitative attributes of individual services are not defined (availability in time and space, reliability evaluated for example through the number of cancelled decisions, the manner of receipt and treatment, communication, competence of employees, suitability of the environment and equipment etc.);

(5) if costs – performance – quality are measured, the influence of these parameters on customers'/citizens' satisfaction is not sought. Or, even though they are measured, they are not linked to the vision and the strategies (the objective of public administration).

While applying the approaches of Smart Administration, account needs to be taken of the balance between quality – performance – costs – satisfaction.

8.1.3. The attributes of public administration

When applying the methods that are used within Smart Administration, it is often necessary to formulate an unambiguous definition of a public service. Services can be characterised using their attributes (for an example see the following table).

The attributes always need to be defined for a specific service. When defining such attributes, it is advisable to ask customers what it is that they find important. Or at least to try and – through empathy – feel the customers' expectations. The attributes must be 'findable' for the citizen (customer). We can divide them into quantitative (measurable by the customer) or qualitative (evaluable and comparable by the customer).

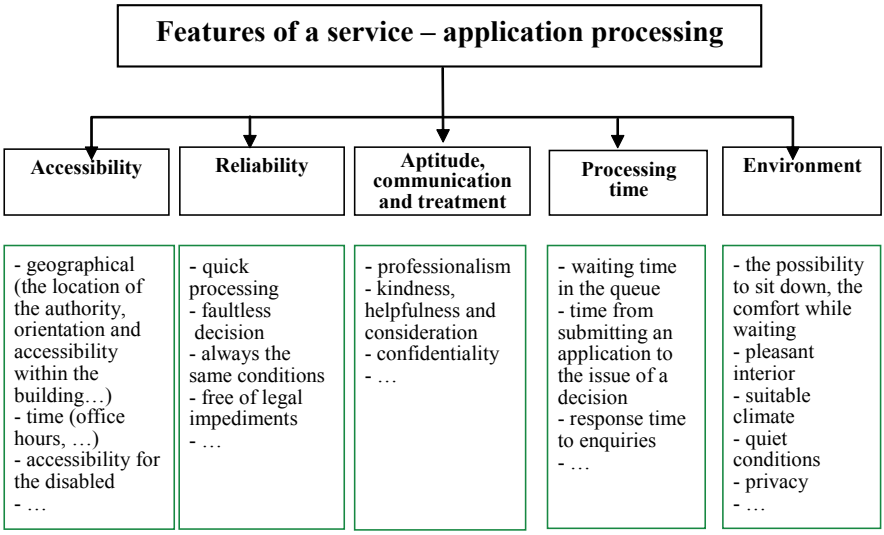
Tab. 22: Examples of general attributes of services in public administration

An example of a attribute of a service	Detailed characteristics
Availability	Local – geographical (for example the distance from a stops of public city transport and from a customer car park, the availability of client working places, the orientation system in a building etc.), in time (for example the opening hours, the weekly office hour total etc.), the availability for persons with disabilities, the availability of a possibility to make complaints etc.
Reliability	The service is performed at an agreed time (over a given period), the service is performed at a given standard (in the right manner), free of fault and legal shortcoming (for example a large number of decisions cancelled by an appellate body indicates poor reliability).
Waiting time	The waiting time in the queue, the time for making an appointment. Usually, the average values is evaluated.
Processing time	The time needed for processing, it may also include waiting time. Usually, the average values is evaluated.
Competence and aptitude	The employees' ability to apply knowledge, experience and expertise while providing a specific service
Receipt, treatment and understanding	Helpfulness, respect, kindness, consideration, suitability of dress and environment, customer care, knowledge of different customers' individual or specific wishes.
Communication	The ability to inform and to listen to citizens, a clarification of the conditions of dialogue.
Safety and security	The security of buildings and facilities where the service is provided, financial security, compliance with sanitary regulations (for example toilets).
Environment	An environment that is practical and pleasant to the customer and that facilitates the effective provision of the service.
Technical equipment	Equipment with necessary IT, computers and other equipment, the capacity, condition and age of the equipment, the method of maintenance.
Credibility	The renown (the image) of the public sector authority or organisation.

Source: The authors

The following figure shows an example of how the affinity diagram can be used for structuring ideas relating to attributes of services into logical units.

Fig. 25: An example of using the affinity diagram for analysing and visualising the attributes of a service



Source: Hušek, Šusta, Půček (2006)

The diagram thus serves for clarifying and sorting ideas. It is usually used after a team definition of attributes (for example brainstorming – see Chapter 13).

8.1.4. The flow of money and values in process management

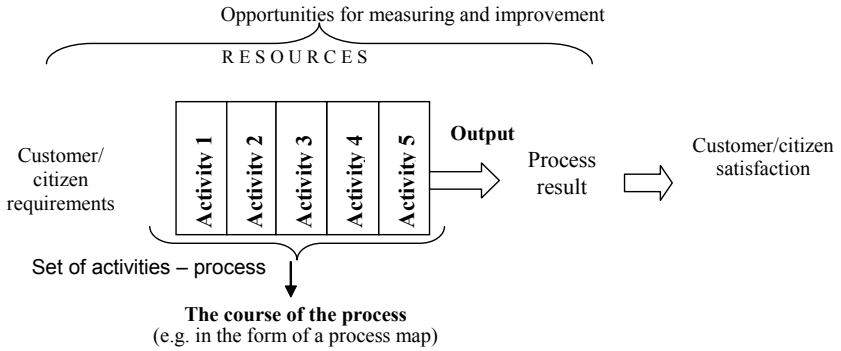
Part of this chapter is dedicated to a significant 'phenomenon' in the methods of quality and performance – the process approach. All experts agree that if applied correctly, it is of benefit. As one of the **basic approaches, it is included in** most improvement methods:

- one type of benchmarking/benchlearning is process-based;
- it is included in the criteria of assumptions within the CAF model and within the EFQM;
- in ISO, the process approach is one of the eight basic principles;
- in BSC, the process approach is included especially in the perspective of internal processes;
- in simple terms, reengineering means rebuilding processes from scratch;
- Local Agenda 21 is a tool for applying the principles of sustainable development and, at the same time, it is a process that
- improves quality of life in all its aspects; etc.

What is a process

The following definition is borrowed from the ISO (ISO 9000) standard: "A process is a set of interconnected or interacting activities that transforms inputs into outputs."

Fig. 26: The chart of a process



Source: Půček, Trezner, Kocourek (2006)

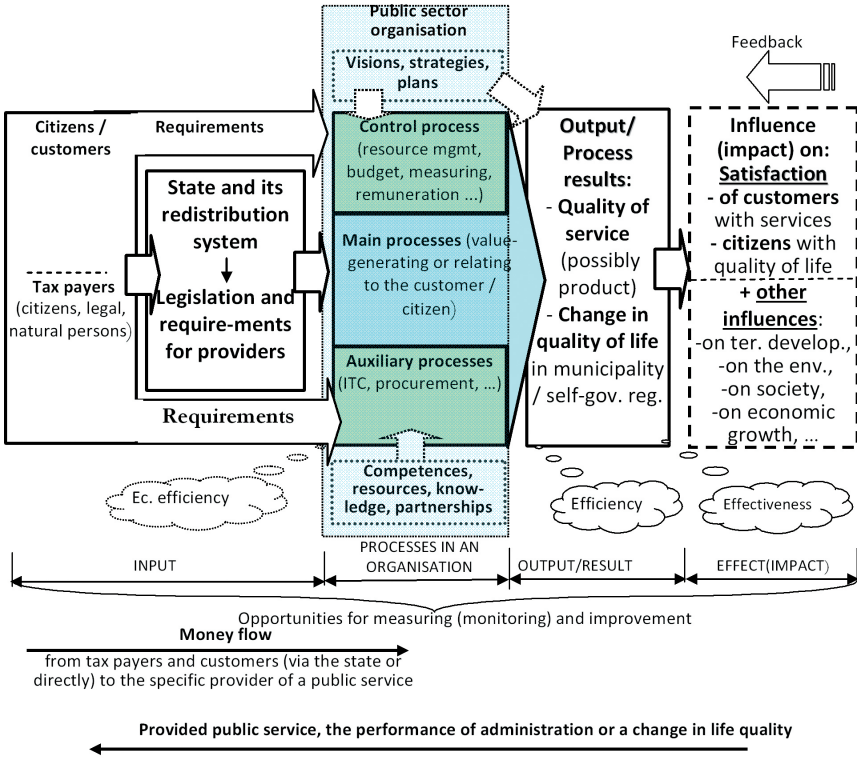
What is the process approach

The process approach means viewing the organisation (authority) as a system of interlinked processes. This perspective makes it possible to find the critical, performance-limiting spots within individual processes, to find the processes that show the poorest performance and to improve the responsibility of employees for the individual parts of the processes.

The key to applying it lies in understanding what it is about. The basic principle of the process approach is shown in the following figure. At the same time, the model is interconnected with the flow of money in the public sector (see the following figure).

A specific public sector organisation (e.g. a town, a self-governing region, possibly a ministry etc.) is shown in the middle of the model. It has its main, control and auxiliary processes. It has a defined vision, strategies and plans. It has at its disposal resources, competences, knowledge, partnerships etc. At the input, there are requirements of customers/citizens, legislation, the state and other stakeholders. At the output, there is a provided public service or a change in the quality of life. This can affect the satisfaction of citizens, economic growth, the society, the environment etc.

Fig. 27: The flow of money and values – the process approach



Source: The authors

The flow of money from tax payers to the state that redistributes the resources towards individual public service providers. However, part of the money can also go directly from the customers to the provider in the form of various fees. Yet such a fee does not reflect the entire price of the service. In the opposite direction to the flow of money, there is the flow of values – provided services or investments that lead to a change in the quality of life. Compare with financial management principles – see Chapter 9.

Division of processes: Processes can be divided into **main, control and auxiliary. Main processes** are those that do not constitute added value or that directly involve customers or citizens. In the case of regional and municipal authorities, main processes can be divided into two groups – processes within the delegated powers for the exercise of public administration and processes within the exercise of self-government. Town halls strive to make the results of processes as good as possible. However, without obtaining feedback from customers/citizens, it is not clear whether the results are perceived positively or negatively – whether citizens and customers are satisfied.

In production firms, there are usually long processes that start with marketing, signing a contract, purchase of material etc. …and end with both the distribution of the finished product and subsequent services. This is a long process that often goes through the entire plant. In public administration and in particular in self-go-

vernment during the exercise of state administration, there is a different situation - many processes are very short and both start and end with one clerk or within one department (for example a decision on granting a benefit, the issue of a trade licence, vehicle registration, …). In addition, the individual steps of the process are described by laws and other regulations. That being the case, in what ways can the process approach be of any benefit to us? This perspective will make it easier for us to:

- find the key processes that significantly affect quality and performance. Subsequently, special attention can be given to these processes. The processes include for example the budget process, communicating with customers/citizens, the strategic planning process, implementing important investments, forming partnerships, learning from others etc.;
- find the critical spots – within individual processes – that limit performance and efficiency (these spots are referred to as 'bottlenecks' or 'narrow spots'). A process that markedly reduces performance (or could do so), is called a critical process;
- find processes that are too expensive or show poor performance;
- show the necessary linkage including the significance of gaining feedback from customers/citizens;
- improve the responsibility of employees for the individual parts of processes etc.

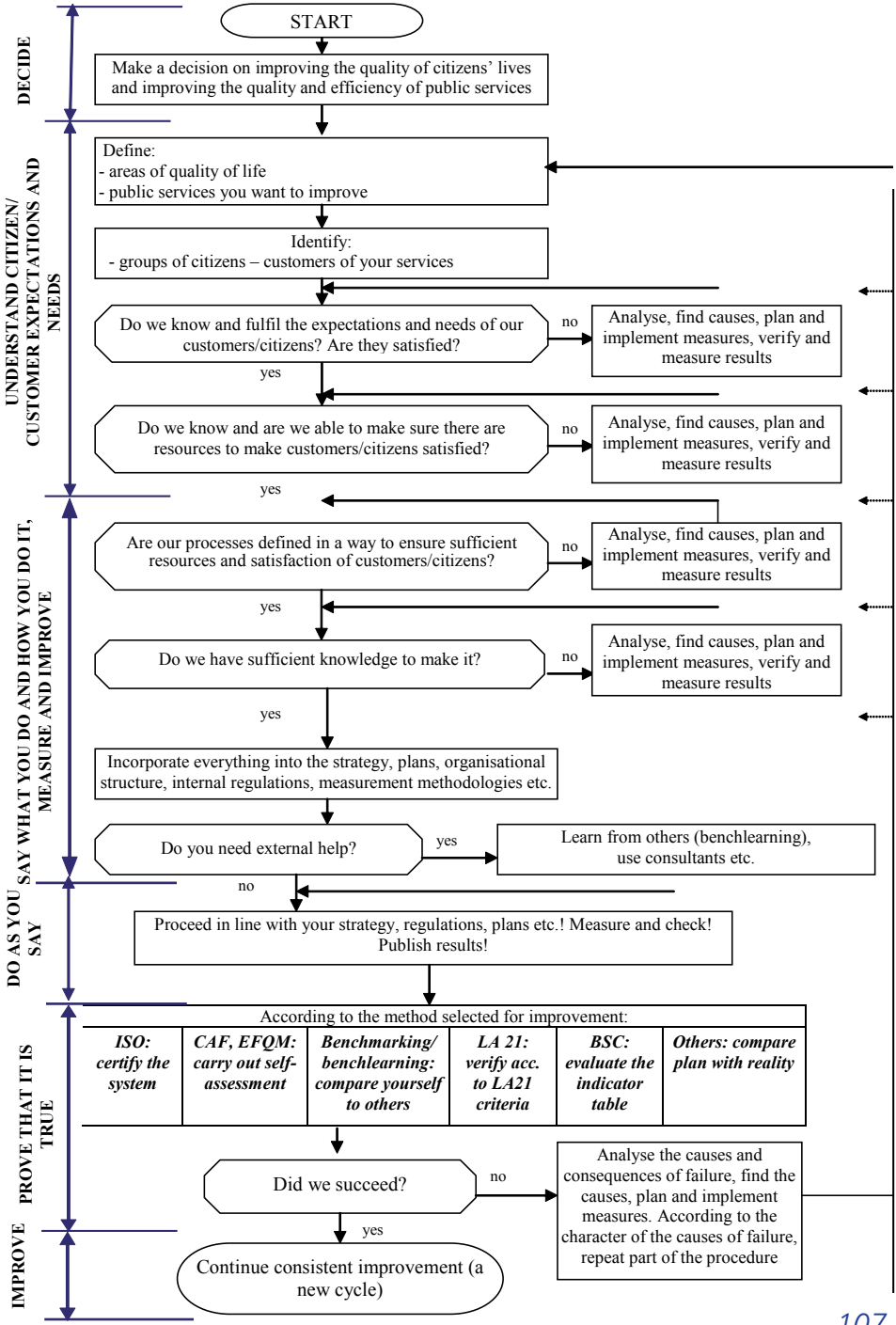
Since public administration organisations (for example municipal authorities) are very similar in exercising state administration, pilot testing of both the process approach and its benefits can be carried out in the individual types of public administration organisations, the results can then be compared (e.g. using benchmarking or benchlearning) with other authorities, and good practice can be applied.

8.1.5. The methodical procedure in improving quality and performance

Before we proceed to describing the individual methods of quality and performance, a general procedure for improving effectiveness, quality and performance will be presented – the methodical procedure for implementing a quality system of management (the following chart). It is divided into six steps: (1) decide (make a decision on improving the quality of citizens' lives and improving the quality and performance of public services), (2) get to understand the citizens'/customers' expectations and needs, (3) say what and how you do it, measure and improve, (4) do as you say, (5) prove that it indeed is so, (6) improve.

The above methodical procedure assumes that one of the key objectives of public administration organisations is to improve the citizens' quality of life, to improve public administration and services.

Fig. 28: The methodical procedure for introducing a quality system of management



Source: The authors

8.2. Methods of quality that are used in the Czech Republic's public sector

8.2.1. The overview of most often used methods

Of the typical methods of quality, it is the EFQM model, the CAF model, ISO 9001 and benchmarking/benchlearning that are most commonly used in the Czech Republic's public sector. The methods are described in this chapter.

A wide range of other methods, approaches and instruments are used within the methods of quality and performance or in pursuance thereof. Chapter 8.1 describes the process approach, Chapter 8.3 describes some subsequent methods of partial approaches, such as satisfaction measurement, the PDCA model, knowledge management, reengineering, CSR (Corporate Social Responsibility). Local Agenda 21 is described in Chapter 12, Balanced Scorecard in Chapter 7, controlling, the Lean method (lean public administration) etc. in Chapter 9. A brief overview of the methods, instruments and approaches is presented in Chapter 16 (conclusion).

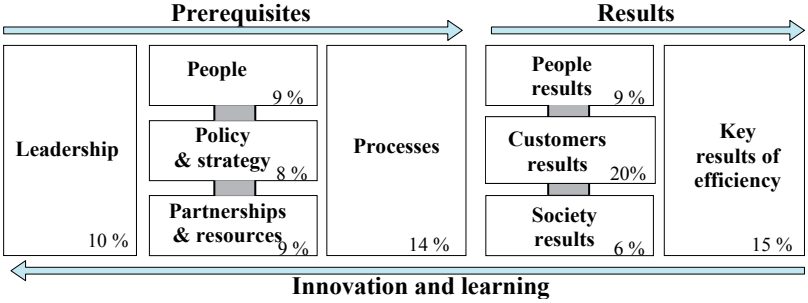
8.2.2. The EFQM model

The EFQM Excellence Model was introduced by the European Foundation for Quality Management (EFQM) in 1992. The EFQM was established in 1988 by fourteen significant European companies. Presently, the EFQM has more than 700 members from over 50 countries from all over the world.

The EFQM's vision is to help create 'a world in which European organisations excel'. The EFQM foundation strives to be 'the driving force for sustainable excellence in European organisations'. The foundation therefore strives to reinforce and extend the values of excellence (exceptionality). For that purpose, it developed the EFQM Excellence Model. Furthermore, the foundation is in charge of the process of awarding the **European Quality Award** (EQA) and supervises it.

Information about the EFQM model for public administration can be obtained from the publication entitled "Model excellence EFQM – verze pro veřejný sektor" (The EFQM Excellence Model – Public Sector Version) (see www.npj.cz). A wide range of information can also be obtained at the 'EFQM Centre' (see http://www.csq.cz/cs/centrum-efqm.html). Of course, information can be found directly at the EFQM foundation's website (www.efqm.org). The model is displayed in the following figure.

Fig. 29: The visualisation of the EFQM Excellence Model



Source: www.npj.cz.

Weights for individual criteria have been set as percentages. The model has **nine criteria that** form the framework for the excellence model. Five of them concern the **prerequisites** for accomplishing results (i.e. how do we have to manage, how to apply strategies, how to motivate and manage employees, how to work with resources and build partnerships, how to manage processes). Basically, it covers what the organisation does.

Four criteria concern the accomplishment of **objectives (results)** as such – in relation to the customers, employees (people in the organisation), in relation to the society. The last criterion concerns the key results. There is effort to create such an environment that would achieve excellent results.

Evaluation according to the RADAR: The RADAR evaluation system is used for evaluation. It consists of four elements: Define the Results (R) that are to be achieved. Plan and implement your Approaches (A) to achieving results. Deploy (D) these approaches within the organisation. Carry out Assessment (A) and Review (R).

Who uses the model in the Czech Republic: For example, the model has been introduced at the Czech Statistical Office, the Mining University of Ostrava, the Authority of Prague 10 (the winner of the 2008 National Quality Award according to the EFQM model) and other organisations. Elements of the EFQM model have been introduced within some Police units of the Police of the Czech Republic (at 14 pilot places between 2002 and 2004).

8.2.3. The CAF model

The CAF model **is derived from the EFQM model to serve the needs of public administration.** This means that the EFQM model is intended for both the for-profit and the non-profit sectors. The CAF models is intended to help improve the public sector and – as opposed to the EFQM model – is spread free of charge.

The CAF is used by approximately 1500 organisations in Europe, and over 80 organisations in the Czech Republic. At the Quality Conference that took place in Finnish Tampere in September 2006, a new version of the CAF was publicly introduced. The 2006 version brought some minor modifications in the area of sub-criteria (there are now 28, formerly 27), improved the precision of the text and, above all, defined evaluation in a more logical manner. This has been a change for the better.

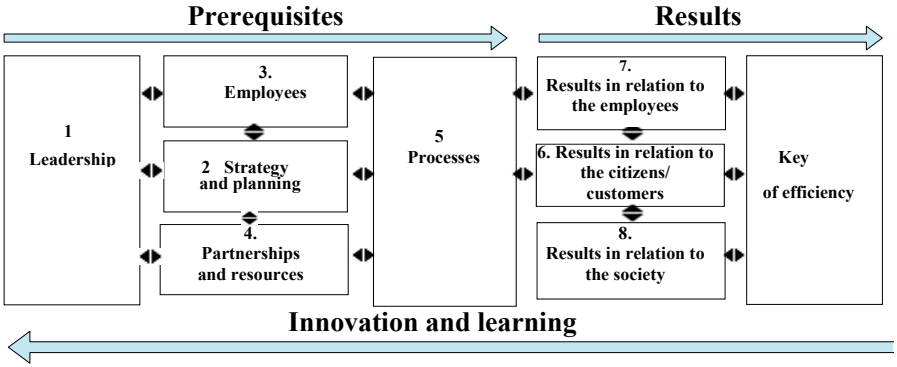
The CAF is a path leading to an effective, good-quality and high-performance authority or any public sector organisation. Also, the CAF is **a path to a 'good service' authority.** That means to a high-performance authority that has **satisfied** customers, citizens, and also employees. Why? This is due to the CAF being:

- **a Common** tool for innovation and improvement (of the quality, effectiveness and performance of an authority, as well as of the satisfaction of its customers) of all types of public sector organisations within the entire EU;
- a self-evaluation **(Assessment)** method – it allows for a score **evaluation** of achieved **objectives (results)** that are achieved by the authority towards the citizens/customers (e.g. their satisfaction), towards the employees (productivity, satisfaction etc.), towards the results of the environmental impact and the influence on the society, towards the key results of performance. In addition, it allows for the **evaluation of the prerequisites** for achieving these results to be carried out.
- the **Framework** for the effective, good-quality and high-performance leadership and management of the authority, for both strategic and operational planning, for human resource management, as well as for partnership and resource, process,

innovation, and change management. Also, the CAF is the framework for finding and accomplishing key objectives (results).

How is the CAF model crafted: The model is based on performing self-evaluation according to nine criteria. These nine criteria form the framework of the CAF model. Five of them concern the **prerequisites** for accomplishing results (i.e. how do we have to manage, how to apply the strategy, how to motivate and manage employees, how to work with resources and build partnerships, how to manage processes). Four criteria concern the accomplishment of objectives (results) as such – in relation to the customers/employees, the environmental and social impacts, the key results concerning the performance of the authority. 'Innovation and learning' need to be understood in the sense of learning from others – i.e. benchmarking or benchlearning. The individual criteria consist of sub-criteria (the 2006 version features a total of 28 sub-criteria) and of individual sample questions (indicators). The model has a total of approximately 213 examples (questions).

Fig. 30: The visualisation of the CAF model – the 2006 version



Source: www.npj.cz

How to perform self-evaluation: The self-evaluation procedure is specified by the methodology. Self-evaluation is carried out by a team of employees of the authority, i.e. a team that has received sufficient prior training for such activities, and an 'action plan' is drawn up after its completion for the purpose of improvement. It is recommended that assessment should be repeated (annually or biennially), so that the improvement trend can be monitored.

If I want to reinforce the 'result-orientation principle' (see Chapter 5), experience shows that it is advisable to apply the CAF 'backwards', i.e. from results to prerequisites. In order to clarify what can be considered key objectives (results), it is advisable to apply the BSC.

What are the most common problems in applying the CAF model: Although it is often stated that the model provides a simple and relatively easily usable framework, a number of problems occur in its implementation at self-government authorities, such as:

- It is not clear whether it is the town/self-governing region or the authority that is being assessed (it is better to start with the authority).
- The management staff of the authority is unwilling to create the conditions for self-evaluation to be prepared and carried out and, as the case may be, for the action plan resulting from the self-evaluation to be implemented.

- The management staff pressures for achieving a better assessment result at any cost (we cannot 'disgrace ourselves').
- There is no clear vision.
- The CAF coordinator or team receive insufficient training, questions or some terms are misunderstood. A complete misunderstanding of the purpose of the assessment.
- Something is done, yet there is no evidence. despite that, the evaluators award a higher mark.
- Any comparison is presented as benchmarking. (How is benchmarking different from common comparison? It involves active monitoring where lessons are learned – results are used to formulate suggestions for further activities and development.)
- The claim that no process descriptions are necessary – everything is specified by law.
- Almost nothing is measured – if something is measured, it is not clear whether it involves key processes or objectives.
- Progress towards sustainability and quality of life is not measured.
- Neither citizen/customer satisfaction, nor employee satisfaction is measured.

Who uses the CAF: In the Czech Republic, the CAF model is the second most commonly used method of quality and performance, after benchmarking/benchlearning. t is used by approximately 60 regional and municipal authorities and authorities of town parts (The national winner of the 2008 quality award for the CAF model was the Hranice Municipal Authority). It is also applied at ministries (e.g. the Ministry for Regional Development, in 2006 the model was also tried out by the Ministry of Foreign Affairs, etc.), other central authorities (e.g. the Czech Statistical Office), in education (e.g. the National Institution of Technical and Vocational Education) etc.

Conclusion – the comparison between the BSC and the CAF

If the CAF model is used before applying the BSC, this can considerably facilitate the implementation of the BSC. The CAF thus creates a framework for improvement in all areas, while orientating the BSC towards accomplishing the objectives of the organisation. The comparison of the BSC and the CAF is shown in the following table.

Tab. 23: The comparison of the BSC and the CAF

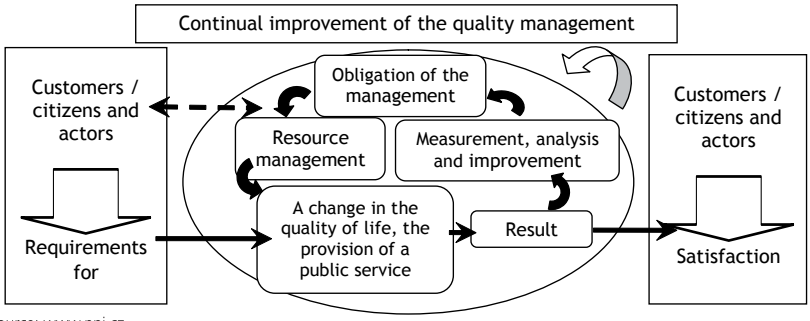
	BSC	CAF
Originally intended for	Monitoring and measuring performance that creates added value	Total quality management, finding the culture of excellence
Objectives of the method	- improving strategic and financial performance - transferring the strategy of the organisation into specific activities, communication and monitoring - orientation towards successful management of the organisation - orientation towards successful activities	- continual improvement through encouraging the evaluation of good practices (examples in sub-criteria) - finding strengths and room for improvement - action plans
Results	Interlink the strategies and relationships using indicators in 4 perspectives	Evaluation of the quality of management, processes and results using 9 criteria of the model
Approaches	- examples for the macro-level - strategically oriented - process oriented - includes the prerequisites - oriented towards the future - prepared specially for every organisation: objectives and measurement	- detailed diagnostics using self-evaluation performed by the staff - process oriented - emphasis on evidence - oriented towards the present: a snapshot of the current situation at the given moment - framework for improvement, the same for all types of organisations
Present - future	BSC: "Is what we would like to accomplish in the future."	CAF: "Is it what we are accomplishing now."
Focus and priorities	The focus is on the greatest problems selected by the management	Complete evaluation, no priority areas

Source: Dochot – 4QC (2006, modified)

8.2.4. Quality management system pursuant to ISO

With some simplification, **the ISO quality system** can be called a **system of checks and preventions.** In recent years, the ISO quality system has become a common standard in Czech businesses and is becoming increasingly common in public administration organisations. The frequent occurrence was also confirmed by the below survey carried out by EIPA. The model of a process-oriented organisation is shown in the following figure.

Fig. 31: The model of a process-oriented management system



Source: www.npj.cz

The system is described in the ISO 9001 certification dorm. Inspiration for improving quality and performance can be found in the ISO 9004 standard (if you intend to by the standards, it is more useful to buy the ISO 9004 standard, because it contains both the text of the ISO 9001 standard and some notes and instructions how to apply the standard). The quality system can be introduced at the same time as the environmental friendliness system according to ISO 14001. In businesses, it is recommended that ISO should be introduced before applying the BSC. The ISO 9000 standard defines the basic principles and terms. A lot of information about ISO and other quality methods can be obtained at the National Information Centre for Quality Promotion (www.npj.cz).

Successful management: What does the standard consider **successful management**? The successful leadership and functioning of an organisation (in the public sector, for example an authority) requires that it be managed in a systematic and clear (i.e. anti-corruption) manner. Success (for a town: citizens satisfied with the quality of life) can be the result of the implementation and maintenance of such a management system that aims for a continual improvement of the effectiveness and efficiency of the organisation's or authority's activities (for an authority: the exercise of state administration and the performance of the tasks of self-government), i.e. based on the fact that the needs of stakeholders (the citizen, suppliers and partners, the state, the nature) are respected.

The ISO standard is based on **eight quality management principles:** (1) Focus on the customer / citizen, (2) Leadership and management of employees, (3) Involvement of employees, (4) The process approach, (5) The systems approach to management, (6) Continual improvement, (7) Fact-based approach to decision-making, (8) Mutually beneficial supply (and partnership) relationships.

Conclusion on ISO: ISO places great emphasis on the process approach. In addition, ISO helps 'put in order' all your documents, standards, internal regulations etc., that are used by the organisation. If we decide to implement the ISO management system, there is a lot of work ahead of us.

In the Czech Republic, the ISO system is implemented in approximately 10 self-government authorities. It is also used at ministries (for example the Ministry for Regional Development has implemented the system in its accounting department) and other organisations (e.g. the Regional Development Centre allowance organisation has a certified system).

8.2.5. Other quality standards

The best-known quality management standard in the Czech Republic is ISO 9001 (see the above description). However, sectoral and regional (or local) standards of the quality or performance of provided public services may also be created within the individual areas of public services. In such a case, the standard is published by the guarantor of the public service.

The Social Service Quality Standards can be mentioned as an example (for more information see http://www.mpsv.cz/cs/5962), and there are other examples in the areas of education and health care.

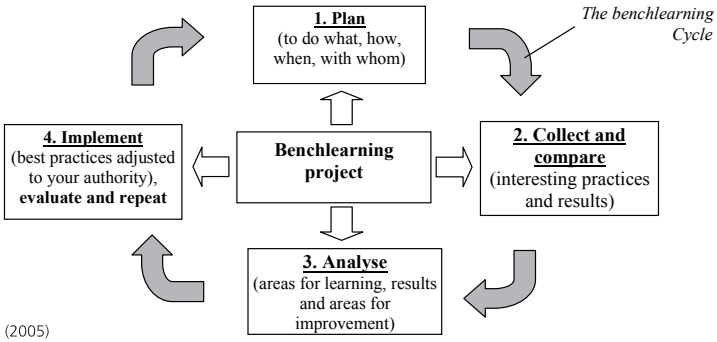
However, standards do not only exist in the area of public services. In the Czech Republic, quality criteria have been defined for the Local Agenda 21 (for more information see www.ma21.cz). The criteria of the Local Agenda 21 are an official tool that allows all active municipalities, towns, micro-regions and self-governing

regions to prove – according to clearly defined parameters – at what level they are implementing the Local Agenda 21. The set, which includes a total of 21 criteria, is divided into four basic categories, namely A through D. For each criterion, an indicator is defined including the activities or, as the case may be, task whose implementation leads to its fulfilment. An integral part of each criterion is its limit, i.e. a specific value that must be met and evidenced (by precisely specified documentation) by every town, municipality or self-governing region.

8.2.6. Benchmarking / Benchlearning

Benchmarking/benchlearning means comparing your own organisation with others in order to discover good practices. This a method of improvement through learning from others. It can be visualised using a four-step cycle (the following figure).

Fig. 32: The visualisation of benchlearning steps



Source: Půček (2005)

The objective is to learn such good practice from others, instead of elaborately devising it or purchasing it from consultation firms at a high price. Therefore, if used correctly, benchmarking allows us to avoid many mistakes, we will not be inventing what has already been invented, we can develop and improve faster, save money etc. In addition, benchmarking helps verify whether the results that are required from the authority by the assembly or town hall management are set correctly. Because this involves comparing with others, which can be sensitive, it is important to agree with the others on a benchmarking code of ethics.

Creelman and Harvey conducted a survey in the USA and other English speaking countries in order to find out the frequency with which modern management methods are used (2004, pp 33): "Benchmarking is one of the most popular techniques to identify performance benchmarks and targets. Most participants in the survey are compared with the public sector, only 20 % with the private sector. Despite that, a lot can be learned from it, and numerous practices from the private sector can be transferred to the public sector."

Conclusion on benchmarking / benchlearning: Benchmarking can be applied at both the strategic level (strategic benchmarking) and at the operational level (process or performance benchmarking). At the same time, it can also be applied within an authority (comparison between departments). However, the key factor is that we

should compare that in which the citizens are interested. This includes in particular the quality of life in the given town, region, self-governing region, and the population's satisfaction with the quality of life. Thanks to its advantages, benchmarking has been chosen as one of the key methods for improving public administration within the EU.

Further information about benchmarking can be found in the publication entitled **"Benchmarking ve veřejné správě"** (Benchmarking in Public Administration), which was published by the Ministry of the Interior (see http://www.mvcr.cz/clanek/verejna-sprava-podpora-zavadeni-kvality-ve-verejne-sprave.aspx). Or at the website of the Benchmarking Initiative (brings towns together – http://www.benchmarking.vcvscr.cz/).

Within the Czech Republic's public sector, this method is commonly used among self-governing regions and towns. For example, more than 80 towns participate in the 'Benchmarking Initiative', which regularly compare with one another in a wide range of parameters. In addition, room for benchmarking/benchlearning between towns and regions is created by the 'DataPlan' of the National Network of Healthy Towns (see http://dataplan.nszm.cz), or by the monitoring of the European Sustainable Development Indicator Set (see http://www.timur.cz/cz/indikatory/zrcadlo-mistni-udrzitelnosti-3.html). There is also CAF benchmarking (approximately 60 organisations participate see – http://www.benchmarking.cz/caf/Urady/UradySeznam.aspx).

8.3. Subsequent methods and approaches

8.3.1. Reengineering

The objective of reengineering should be to accomplish a change that will bring considerably higher performance, quality or effectiveness and – in the ideal case – also more-satisfied customers and citizens.

In practice, you can encounter situations where someone claims to have successfully reengineered an authority or another institution. During verification you discover, that based on process analysis or using benchmarking, they merged or divided several departments, transferred an organisational unit outside the authority, started to use outsourcing, described processes, eliminated duplicities etc. Through all that, they 'saved' a couple of employees. You find out that under the heading of 'reengineering', they correctly applied the process approach, the classical PDCA improvement cycle, or implemented good practices that had been obtained from benchmarking.

So, what is reengineering: For our purposes, we will use a modified definition that was formulated by the authors of the method (see Hammer, Champy, 2000): **"Re-engineering** means **fundamental** re-evaluation and **radical** redesigning of **processes** within a public administration organisation (for example an office) to achieve **dramatic** improvements in critical measures of performance, such as cost, quality, service, and speed."

The authors themselves use a number of rather strong adjectives in the definition, such as 'fundamentally' and 'radically'. This follows unambiguously that reengineering is not at all gradual, it is a fundamental 'leap' change. A change for the better. In the authors' words 'a dramatic improvement'. And that is one of the problems of reengineering – such a demanding leap not always results in improvement. If a company is in a desperate situation (let us believe that this is not the case of public administration organisations), reengineering can be the only method to save the company. Therefore, the method is rather suited to the business sphere, including

state-controlled businesses, self-governing regions and municipalities. And possibly also where a total redesign of public sector organisations is needed.

8.3.2. Corporate Social Responsibility (CSR)

Another approach that is used – both in the Czech Republic and worldwide – in both the for-profit and the non-profit sectors to improve quality and performance, while also improving the relationship with the environment (in the sense of sustainable development principles – see Chapter 12), is CSR – Corporate Social Responsibility. When applying CSR in the thinking of the organisation's top management, a shift is assumed to occur in the approach, namely from the orientation 'only towards profit' to the approach called 3P (People, Planet, Profit). There are numerous definitions of CSR, some of them are shown in the following table. Further information is available at www.npj.cz.

Tab. 24: Various definitions of CSR – Corporate Social Responsibility of businesses

Source	Text of definition
World Business Council for Sustainable Development, 1997	Corporate social responsibility of an organisation is the continuing commitment behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.
European Commission, Green Paper (Promoting a European framework for corporate social responsibility)	Corporate social responsibility of an organisation is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis
National Quality Award of the Czech Republic – Statutes, 2009 (see www.npj.cz)	In their behaviour, socially responsible organisations take account of the needs of their environment, both internal and external, in order to contribute to sustainable development, be transparent and generally promote the overall improvement of the condition of the society, both within and beyond the scope of their commercial activities.

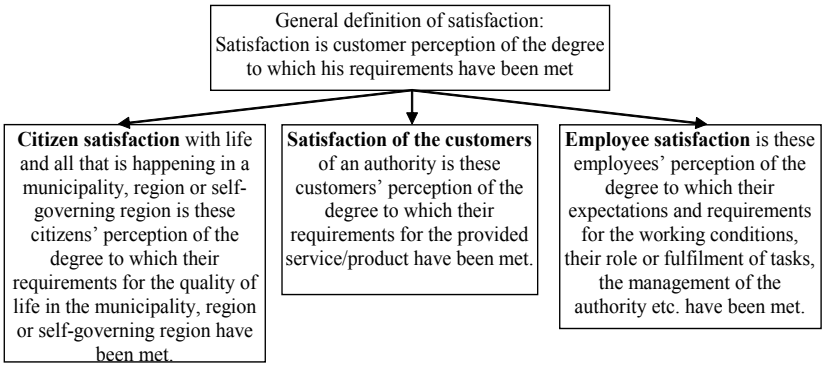
Source: The authors

In the public sector, it is for example the Authority of Prague 10 that tries to apply CSR.

8.3.3. Satisfaction measurement methods

Customer or citizen, and possibly also employee satisfaction is measured in all methods of quality and performance measurement. How can we define satisfaction in simple terms? (See the figure.) Definition according to ISO 9000: "Satisfaction means customer perception as to the degree to which his requirements have been met." Satisfaction is customer (citizen) perception of the degree to which his requirements have been met (e.g. Půček, Kocourek, 2005, p. 6). It is about obtaining feedback.

Fig. 33: Definition of citizen, customer, employee satisfaction



Source: The authors

In what places we can encounter satisfaction surveys:

(1) Satisfaction surveys are an instrument for obtaining feedback. They are used in all quality methods. For more information see the publication entitled "Měření spokojenosti v organizacích veřejné správy" (Measuring Satisfaction in Public Administration Organisations) (http://www.mvcr.cz/clanek/verejna-sprava-podpora-zavadeni-kvality-ve-verejne-sprave.aspx).

(2) It is advisable to use them, as long as we are applying Local Agenda 21, community planning, the Healthy City project or other activities connected with public relations, public participation, communication and involvement in decision-making processes in ones own town, region or self-governing region (for more information see www.nszm.cz). In addition, it is part of the European Sustainable Development Indicator Set (see www.timur.cz).

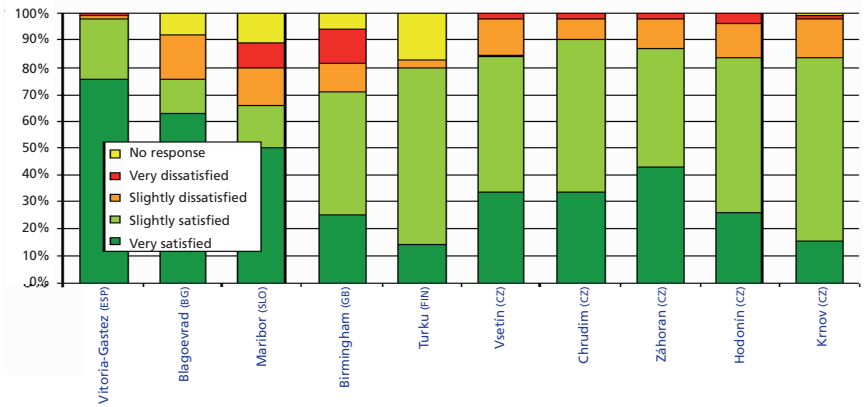
(3) Satisfaction survey is also a marketing tool (the urban marketing concept).

(4) Nationwide opinion polls, including various satisfaction surveys, are performed by a number of organisations. For example, the outcomes of a wide range of surveys concerning satisfaction are available at the website of the Public Opinion Research Centre (part of the Institute of Sociology of the Academy of Sciences of the Czech Republic – www.cvvm.cas.cz). Press releases inform us about satisfaction with life at the place of residence, about citizen satisfaction with the functioning of democracy, about satisfaction with the political situation, satisfaction with personal life, about public concerns, satisfaction with the living conditions at the place of residence etc.

(5) Of course, we also encounter them in many other cases. Apparently, informal satisfaction surveys are used by everyone – when we want to buy something, we ask the people we know about their satisfaction with that item, we find out the satisfaction of others with a holiday destination, satisfaction with a restaurant, satisfaction with a job and many other possibilities.

If we survey satisfaction according to the methodology of the European Sustainable Development Indicator Set, we can produce comparison with other towns (the following table).

Fig. 34: Citizen satisfaction – the comparison between towns



Source: Půček, Kocourek (2005, p. 21)

The indicator quantifies overall citizen satisfaction with life in the town. The table shows the outcomes for the towns: Vsetín, Chrudim, Hodonín, Krnov, Velké Meziříčí, Třebíč.

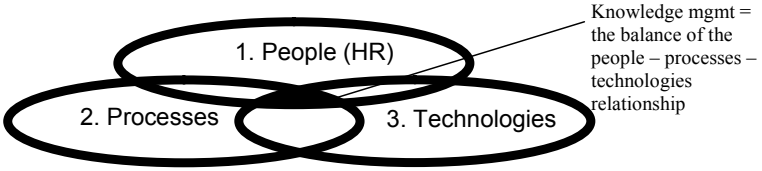
8.3.4. Knowledge management in the public sector

What is knowledge management: Having the right knowledge in the right place at the right time can significantly contribute to improving efficiency and quality, reducing costs, increasing citizen satisfaction, positively influencing quality of life etc. The authors of the publication entitled "Knowledge Management" add (Collinson, Parcel, 2005): "Achieve more with less resources." A new perspective of knowledge is presented by Blažek and Uhlíř (2002): "Knowledge is considered the most strategic 'raw material', while learning is considered the decisive process from the perspective of sustainable competitiveness."

Collinson and Parcel (2005) **define knowledge management** as follows: "It is not about creating some encyclopaedia that includes everything that men have ever known. Knowledge management is much rather about monitoring those who know and developing such corporate culture and technology that will make them talk." The concept of knowledge management is based on balancing and harmonising these areas: (1) human resources (people), (2) the processes through which the given activities are implemented, (3) the technologies employed. Knowledge management is the intersection of all three areas (see the figure).

Human resources – people: People are key to knowledge management. Motivation needs to be sought to encourage their interest in: **(1)** using their knowledge, skills and abilities for fulfilling the organisation's objectives, **(2)** further educating themselves, learning (both from others and from own successes and failures), **(3)** gaining knowledge and sharing it (both within the organisation and – where appropriate – outside).

Fig. 35: The balance of the people-processes-technologies relationship



Source: Půček (2009c)

Processes: The process approach was described in Chapter 8.1.4. There is a broad array of processes that affect the effective application of knowledge management, for example: **(1)** the processes for recording knowledge, such as the system of internal regulations and documentation, case studies and suggestions for good practice etc., **(2)** personnel processes (human resource management) and motivation programmes, **(3)** formation of partnerships and networks, **(4)** the processes of reporting and controlling (see Chapter 9), **(5)** other management or auxiliary processes (including processes of IT support), **(6)** learning processes. Learning from others is the basis of the benchlearning method (see Chapter 8.2.6). "Learning and growth" is also one of the perspectives of the BSC (see Chapter 7).

Technologies: The third area that needs to be taken into account in knowledge management is the technologies employed. This is not only about IT and computers. In many cases, there are other suitable possibilities – classical record keeping or records, simple databases, common software etc. The employed technology must always be effective and cost-efficient.

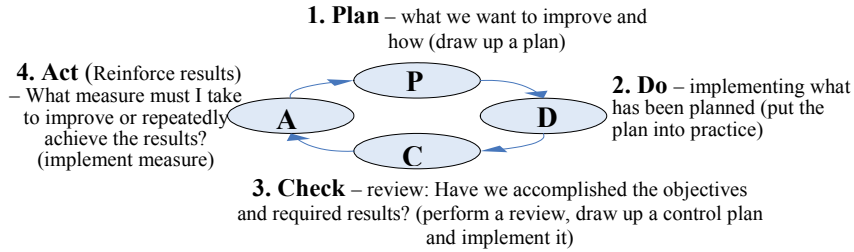
Knowledge management bears striking similarity to the public administration Hexagon (see Chapter 4).

8.3.5. The PDCA improvement cycle

The PDCA improvement cycle is also known as the Deming cycle. This is a simple improvement method that can be used universally (both for improving the performance of self-government tasks and for the delegated powers for the exercise of state administration). Using this cycle, we can manage any change, any plan including a plan of measures arising from the application of Smart Administration methods. Authorities that apply the CAF model know the cycle very well, as it is part of the panel for assessing the prerequisites.

The PDCA cycle is the visualisation of the continual improvement process (see the figure).

Fig. 36: The PDCA cycle



Source: The authors

8.4. Conclusion on methods of quality and performance

Osborne and Gaebler (In Vacek, 2006, p. 6) state what a **citizen-oriented** (and customer-oriented) **institution** should be like: "Today's environment calls for institutions that are flexible and adaptable, that provide high quality of services and can harvest as much utility as possible from every single crown. It calls for institutions that respond to their clients' requirements and needs, provide non-standardised services, lead by means of persuasion and motivation rather than orders, institutions that make their employees feel that their activities matter and that they participate in its management. It needs institutions that not only serve the citizens, but that provide them with the possibility to influence the operation and the activities of the public sector."

At the conclusion of this chapter, it needs to be said that no 'miraculous or well-proven' method can be used without the knowledge of local conditions and the necessary linkage. What helps or improves the performance of one organisation may do harm to another. That said, the key to Smart Administration (see Chapter 5) is (1) doing the right things (2) in the right manner and (3) communicating about them with the public in the right manner. That includes orientation towards the achievement of objectives (results). Further to the above, the table in Chapter 16 (conclusion) structures the most-commonly used methods and approaches into individual groups.

Also, it is safe to say that combining the methods, tools and approaches (if done with the knowledge of local conditions and the necessary linkage) is beneficial. Within the EU countries, the EIPA (the European Institute of Public Administration – www.eipa.nl) conducted a survey of experience with both the CAF model and other quality methods. The study has indicated the following order of the current and the future use of quality and performance management tools in public administration organisations (the survey featured a total of 23 different methods and tools for improving quality and performance).

Tab. 25: The order of the use of quality methods and tools within the EU

Employed quality method or tool	Use **before or alongside the CAF**	**Envisaged future use**
	Order according to the frequency of use	
ISO 9001 with and without certification	1.	8. - 9.
Customer satisfaction surveys	2.	2.
External and internal audits	3.	6.
Employee satisfaction surveys	4.	1.
Project management	5.	5.
Balanced Scorecard	6.	4.

Source: Půček, Matochová (2007) from EIPA sources

The survey indicates that most organisations that are applying the CAF model are also using or planning to use other methods of quality and performance.

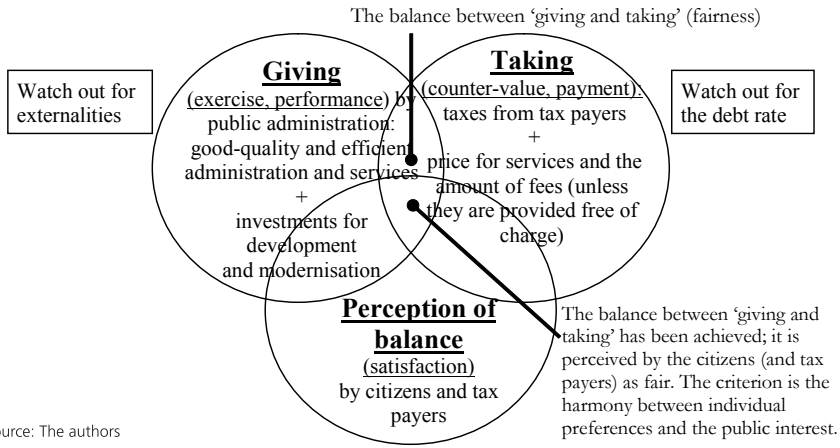
9. Financial management and Smart Administration

9.1. Sound financial management

This publication does not provide sufficient room for comprehensively addressing the issue of financial management. Here, the significant aspects are described from the perspective of Smart Administration. The first such aspect is the issue of 'sound' financial management. Modern budgeting is dealt with in Chapter 10.

The basis of sound financial management is the balance between 'giving and taking'. This is also the basis of double-entry bookkeeping. It is reflected in the 'credit – debit' double entry, whose importance lies mainly in verifying (1) how the exercise (performance – i.e. giving) is kept in balance with (2) its counter-value (payment – i.e. taking). Also, this relationship is the basis for fairness. The balance of the relationship between giving and taking is shown in the following figure. While sound financial management may allow – among other things – increasing indebtedness, this needs to be approached with caution (it means 'taking' at the expense of the future).

Fig. 37: Sound financial management: The balance between 'giving and taking'



Source: The authors

The relationship is supplemented with a third factor – the perception of the balance (satisfaction with the balance) by the citizens and tax payers. It is important for the state (self-governing region, town) not to exercise administration, not to provide services and not to ensure permanently debt-financed development – at the expense of the future.

Therefore, the ideal situation occurs, (1) when there is a balance between:

- provided services, exercised administration and development on the part of the public sector, and
- taxes (paid by tax payers) plus prices that are paid for paid public services.

(2) when – at the same time – the balance is perceived by the citizens to be fair (or at least relatively fair) and

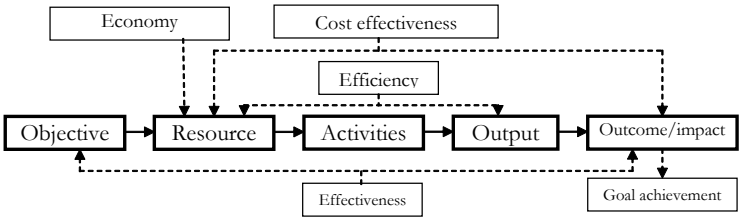
(3) at the same time, attention is given to the debt rate, and negative externalities are addressed.

This issue is linked to the money flow from tax payers to the state (taking) and the provision of counter-value (giving), which was described in Chapter 8.1.4.

Doing financial things 'right': The '3E' principle

If we accept the hypothesis that 'doing the right things right' (see Chapter 5) is the key to Smart Administration, one 'right thing' is sound financial management. Doing things in the right way (right) from the financial viewpoint means doing them according to the '3E' principle, i.e. ensuring Economy, Effectiveness and Efficiency.[15] Literature does not always describe the notion of the '3E' in the same way. The 'three E' principle according to the CAF 2006 model (model CAF – see Chapter 8.2.3) is explained in the following figure.

Fig. 38: Efficiency – Effectiveness – Economy according to the CAF model



Source: CAF-2006, p. 164, modified

The terms from the CAF glossary are transformed into the following table.

Tab. 26: The explanation of the '3E' from the CAF 2006 model

Term	Explanation according to the CAF-2006 model
Economy	Economy and spend-thrift refer to prudent financial management including reducing costs through more efficient procurement and saving money without affecting the quality of outputs or objectives.
Effectiveness	Effectiveness is the relation between the set goal and the impact, effect or outcome achieved.
Efficiency	Outputs in relation to inputs or costs. Efficiency and Productivity may be regarded as one and the same. Productivity may be measured in ways that capture either the input of all factors of production (total factor productivity) or a specific factor (labour productivity or capital productivity).
Cost Effectiveness	The relationship between the effects that are implied by the goals of the organisation and the costs – possibly including the full social cost – of achieving them.
Resources	Resources include the knowledge, labour, capital, buildings or technology an organisation uses to perform its tasks.

Source: CAF-2006, p. 164, tabularised

The issue is addressed in greater detail in Chapter 9.2.

15 Czech legislation uses the term 'purposefulness' for the economically rational use of public resources, provided that the resources are used in accordance with set objectives. From the perspective of the effect of used resources, it would be better (more accurate) to use the term 'efficiency'. However, Czech legal regulations (e.g. Act No 320/2001 Coll., on financial audit and other acts) do not use this term. The text of this publication uses both these terms. We use 'efficient' wherever we refer to existing legal regulations. In this chapter, which does directly cite legal regulations, we use the term 'efficiency'. In the second part of the chapter, where we use direct reference to legal regulations (namely the Act on Financial Audit), we use the term 'purposefulness' that is used by our legislation. This collision, which was pointed out to the authors of this publication and criticised by one of the opponents, has been deliberately left in the existing form. This is a certain 'formal escalation of the problem', which might help promote the corresponding amendments and modifications to the Czech Republic's legal regulations (especially the Act on Financial Audit, the Act on the Supreme Audit Office, the Budget Rules and the Act on the Property of the Czech Republic).

9.2. Economical, effective and purposeful allocation of financial resources

The exercise of public administration requires resources. Since resources are – in view of the total public need – limited (scarce), they must be used economically, effectively and purposefully (collectively known as the 3E). The obligation to manage resources economically, effectively and purposefully is imposed on public administration employees by the Act on Financial Audit (Act No 320/2001).

9.2.1. Economical disbursement of financial resources in public administration

The economical viewpoint is an important criterion that must be monitored by all public sector managers. Economy is understood as such use of public resources where set objectives and tasks are accomplished with the lowest disbursement of resources possible. The minimisation of used resources is conditional on these objectives and tasks being accomplished while maintaining the corresponding quality. Minimising cost at the inputs while accomplishing the set objective is the indicator of economy.

While monitoring the economy criterion, we seek answers to the following questions:

- Do we obtain the inputs at 'the best (the lowest) prices possible?'
- Does the 'best possible price' guarantee the set (required) output quality?

In the Czech Republic, the economy criterion is very often used for **awarding public contracts based on the criterion of the lowest tender price.** Contracting entities tend to favour the use of a single evaluation criterion for selecting tenders, namely the lowest tender price. While this is possible under the Act on Public Contracts (Act No 137/2006), it is also desired that contracting authorities should also meet the provisions of the Act on Financial Audit concerning the procedure according to the 3E. Within the context of the Act on Financial Audit, the contracting authority – while applying the economy criterion ('the lowest tender price') – seeks answers to the following questions (see the below table).

Tab. 27: Contracting authority's questions to examine the subject-matter of the public contract from the viewpoint of ensuring 'economy'

Question	Supplementary reference question	Note
Is there a lowest rational limit for minimum costs with respect to the subject-matter of performance of the public contract?	If there is such a limit and one of the tenders is considerably below the limit, does the bidder's analytical documentation provide sufficient arguments to justify such a low price?	The documentation is prepared by the contracting authority as part of the ex ante audit.
Is it advisable to only use the lowest tender price criterion for the given subject-matter of performance of the public contract?	If the contracting authority considers the lowest tender price criterion to be the only criterion for tender evaluation, can the contracting authority demonstrate in the analytical documentation that the subject-matter of performance of the public contract is not contrary to purposefulness and effectiveness?	The contracting authority demonstrates this fact in the analytical documentation and is responsible for the conclusions of the documentation to be incorporated into the contract documentation.

Source: The authors

The above example shows the application to the economy criterion in the case of evaluating public contracts based on selection according to the lowest tender price. However, it is obvious that in this case, too, the decisive condition for evaluation according to the economy criterion is the fact that the given minimum cost level will ensure the required quality. If that is not the case, such selection is both in conflict with the economy principle and contrary to the provisions of the Act on Financial Audit.

9.2.2. Effective disbursement of financial resources in public administration

While performing set task, public administration employees are obligated to proceed in such a way as to ensure that the results of their work meet the effectiveness criterion. Effectiveness is understood as such use of public resources that ensures the highest possible extent, quality and benefit of performed tasks in comparison to the volume of resources disbursed to accomplish them (Section 2 (m) of the Act on Financial Audit). The above definition of effectiveness corresponds to the **productivity** of disbursed expenditure. The public administration unit that achieves the largest number of output units at the required quality and within a given fixed budget displays the highest productivity. An example is shown in the following table.

Tab. 28: The comparison of cost productivity of comparable production units in public administration

Production unit	Costs (monetary units)	Number of produced units (physical units)	Productivity (%) in comparison to the best production unit, i.e. C
A	1	10	28,6
B	1	20	57,1
C	1	35	100,0
D	1	17	48,6

Source: The authors

The above example clearly shows that production unit C displayed the highest productivity – compared to other production units, it achieved the highest number of physical output (35) using the fixed budget. This makes it the most productive unit. If we perform benchmarking comparison and denote the given performance of production unit C as 100 per cent, we can use normalisation to find out what performance percentages are achieved by other production units compared to the best unit C. Obviously, the second best performance with respect to productivity was achieved by production unit B (20 physical units). By comparison to the best production unit C, it is 57.1 per cent of the performance, because:

(20/35) * 100 = 57.1

The second form of monitoring effectiveness is **cost effectiveness.** This is understood as the costs of a given physical output unit (e.g. the costs of one processed citi-

zen, the costs of one cleaned square meter). Of the compared production units, the one that has the lowest costs per one physical output unit (provided that the given quality is maintained) is the best. In cost effectiveness, the costs per one output unit are the indicator of effectiveness. Since the costs per output unit are a minimisation criterion, the production unit that has the lowest costs per one physical output unit works the most effectively. The above problem is illustrated by the following example (see the below table).

Tab. 29: The comparison of the cost effectiveness of comparable production units within public administration

Production unit	Costs (monetary units)	Number of produced units (physical units)	The indicator of cost effectiveness (costs/number of produced units)
E	10	10	1,00
F	15	20	0,75
G	20	35	0,57
H	12	17	0,71

Source: The authors

Clearly, it was production unit G that had the lowest costs per one physical output unit (0.57 monetary units/one physical output unit). Therefore, it best meets the cost effectiveness criterion.

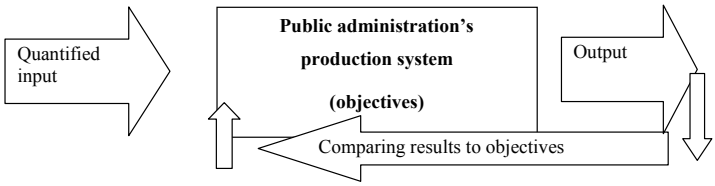
9.2.3. Purposeful use of financial resources in public administration

Another monitored criterion in the use of public resources is the efficiency (purposefulness) criterion. **Purposefulness** is understood as such use of public resources that ensures the optimum accomplishment of objectives while performing set tasks (Section 2 (o) of the Act on Financial Audit).

In relation to the economy and effectiveness criteria, the purposefulness criterion is the highest type of criterion of all 3E criteria. This is because the purposefulness criterion scrutinises the economic rationality of used resources. While the history of public administration in the Czech Republic has known many cases where use was made of the economy criterion (e.g. in selecting tenders within a tender using only one basic evaluation criterion, namely the 'lowest tender price'), or the cost effectiveness criterion, in neither of the cases was the selection in compliance with purposefulness (with the economic rationality of disbursed public expenditure).

Purposefulness relates to a certain final (target) situation. Therefore, the most common indicator of compliance with purposefulness is the percentage fulfilment of set objectives. The basis for reviewing purposefulness consists in comparing set objectives with accomplished results.

Fig. 39: Monitoring purposefulness



Source: The authors

As shown in the above figure, results (outputs) represent situations that have actually been accomplished. These are compared with the objectives as the envisaged situations. The comparison between the results and the envisaged (target) situations is indicative of the degree to which the objective (purpose) has been accomplished. Since certain resources are needed in order to accomplish objectives, in practice we often examine the degree to which objectives have been accomplished with a view to disbursed costs. To that end, we can use a number of quantification, cost-benefit methods.[16]

While verifying purposefulness, we seek answers to questions concerning the verification of procedural purposefulness, the verification of the correctness of procedures with a view to set objectives and the verification of the outputs (the results), as shown in the following table.

Tab. 30: The verification of the purposefulness criterion

Localisation of questions	Question
Questions at input	Are the given inputs proportionate in relation to the objectives?
	How effectively have used inputs been transformed into outputs?
Questions in relation to objectives	Do the objectives correspond to public needs?
	Are the objectives consistent?
	Is there not redundancy of objectives?
	Are the objectives evaluable?
	Have indicators suitable for evaluating the objectives been defined?
Questions at output	Can the results be compared with the objectives?
	Are the results evaluable?
	What degree of compliance with the set objectives do the accomplished results display?
	Does the initial calculation of resources correspond to the resources that have actually been used?
	Are the results used by the target group?
	What is the target group's satisfaction level?

Source: The authors

The above questions verify the purposefulness of used resources. Answers to the questions can be sought within both the ex ante, the interim and the ex post audits. The purpose is to examine the economic rationality of allocated resources.

16 Their application can be found in the publication Ochrana, F.: Nákladově užitkové metody ve veřejném sektoru. Praha, Ekopress 2005.

9.3. Risk Management

9.3.1. Liaison to Smart Administration

The 'doing the right things right' model, which was described in Chapter 5.2, includes orientation towards the accomplishment of objectives. Results orientation requires risks to be reduced to minimum (see Chapter 5.3). Risk management is addressed in this chapter. For the purposes of this publication, **'risk** is considered to include any situation where there is a possibility that a negative deviation from a required or planned target value will occur' (Půček, Matochová, 2007).

The business sector works with risk ordinarily. It can also be said that long-term success is often conditional on the willingness to accept a certain level of risk. However, this can subsequently result in entrepreneurial failure. Therefore, it is necessary to have at ones disposal instruments for managing and reducing risk and for increasing its transparency. "Since the public sector obtains most revenues from taxes, great emphasis is placed on expenditure audits, in order to prevent the misuse of public resources. For these reasons, public sector employees perceive risks and remuneration differently from the employees of businesses. 'No to make mistakes' becomes their principal motivation. The government's principal mission is to 'do good', not to make money. Often, it has to provide services to all, regardless of whether they are able to pay for them." (see Osborne, Gaebler, In Vacek, 2006).

9.3.2. Classification of risks according to different criteria

Risks can be classified according to a wide range of criteria. For example according to the place where they arise. Also, the 'operational' risks are used, i.e. those arising during the organisation's day-to-day activities. Another classification follows from the Act on Financial Audit (i.e. the subsequent guideline to the act).

Risks can be classified **according to the place where they arise:** (1) strategic management and risk – for example the SWOT analysis is commonly used, (2) operational risks, (3) financial risks, (4) risks attaching to working with customers, (5) personnel management and risk, (6) risks attaching to innovation management, improvement, changes, the risks of new technologies, project risks etc.

A significant group of risks are **operational risks.** The business sector sometimes uses the acronym ORM – Operational Risk Management. Operational risks can be divided into 4 groups: (1) process risk, (2) people risk, (3) risk attaching to employed technologies and systems, (4) risk of an external event.

Classification of risks in pursuance of the Act on Financial Audit (see MF[17], 2003):

- generally applicable risks (auditor risk, legislative risk, risk attaching to managing a public administration body, risk attaching to damaging the body's reputation, risk attaching to violating regulations, risk attaching to the demands and the cost factors of internal audit, other risks),
- accounting risks (risk attaching to with asset management, risk attaching to the involvement of both own and external resources, risk attaching to with economic activity, risk of irregular, false or incomplete records of economic activities and liabilities, risk attaching to fund management, risk attaching to advance payments, other risks),
- budget risks (risk attaching to compliance with budget indicators, risk of budget transparency, (completeness and viability), risk attaching to budgetary measures, risk

17 Published by Ministry of Finance of the Czech Republic pursuant to Section 7 of Act No. 320/2001 Coll.

attaching to adherence to the budget, risk attaching to subsidies, risk attaching to extra-budgetary resources, other risks).

In **project management** (for more information see Chapter 11), we can find the following categorisation of risks: (1) financial risk (e.g. co-financing, lack of resources during the project, currency risk, price increase), (2) people risk (e.g. failure, sick rate, fluctuation, lack of qualified workforce, injury), (3) organisational risk (resulting from wrong preparation, wrong organisation, management or audit), (4) risks of technical character (e.g. the reliability of equipment and technologies, the availability of materials, suppliers), (5) risk of an external event (e.g. fire, flood, accident, external intervention).

9.3.3. Risk management

Every change and every plan that we want to (initiated from inside the organisation) or have to (initiated from outside) implement is associated with certain risk. Success is conditional upon the ability to respond to change in the right way.

The following definition can be used for risk management: Risk management means planning, organising, directing and controlling a set of activities that lead to a proportionate mitigation (minimisation) of all potential risks (Půček, Matochová, 2007).

Risk management includes: (1) detecting (identifying) risks, (2) analysing and identifying the causes of high-risk situations (threats), (3) evaluating risk – determining its magnitude (level), (4) adopting adequate measures and monitoring risks.

For example, the brainstorming method is often used for identifying risks. Identification is sometimes connected with analysis and search for causes – for example the 'cause and effect chart' is used, as well as other instruments according to Chapter 13.

Risk evaluation is carried out using magnitude (level) that is determined by two, possibly three factors: (1) finding out its significance (seriousness) from the financial impact perspective and (2) the frequency of occurrence, (3) sometimes a third factor is added – the probability of detecting the risk.

9.3.4. Analysis of risks and their causes

Various tools can be used for risk analysis. One of them is 'Analysis of risks and their causes'. This can be used for piecing together a risk map. The analysis is based on quality methods; it is derived from the FMEA – Failure Mode and Effects Analysis (one of the most frequently used failure analyses in the business sector). In the classical FMEA form, the risk mode is inserted instead of the failure mode. The categories 'significance – frequency – probability of detection' remain. The modified table looks as follows:

Tab. 31: Analysis of risks and their causes

Process/ activity	Potential risk	Consequences if risk materialises	Cause of risk occurrence	Current situation					Proposed measure
				Is there presently a measure for averting the risk?	Significance	Frequency	Probability of detection	Risk level	

Source: Půček, Matochová (2007)

First, the name of the process or activity is entered into the table. Then, we define possible risks and their effects, and we try to identify their causes. Subsequently, for each cause, we find out the existing situation, i.e. we describe existing measures (if any) and determine the risk level using the categories: significance – frequency – probability of detection. To that end, a methodology needs to be defined (e.g. a maximum of 10, an ideal value of 0; the ideal for probability of detection is 'detection is certain'). Where the risk level exceeds the set limit (e.g. 100 points), it is necessary to define a proposed measure including the responsibility for it (the last column).

Once the measure has been implemented, another evaluation of risk level is performed according to the same methodology. If the risk level does not improve, another measure is adopted, until we find the level satisfactory (the table does not include these columns – they need to be added). The following table shows an example of a partially completed form for the area of investments.

Tab. 32: Sample completed form – Analysis of risks and their causes

Process/ activity	Potential risk	Consequences if risk materialises	Cause of risk occurrence	Současný stav					Proposed measure
				Is there presently a measure for averting?	Significance	Frequency	Probability of detection	Risk level	
Investment activity	Corruption	Higher price for work	Corruptibility of decision-makers	Compl. with law	10	5	4	200	Drawing lots for commission members
	Violation of the law	Fine or higher price for work	Ignorance	Compl. with law	5	2	4	40	-
			Circumventing the law in order to speed things up etc.	Compl. with law	5	5	4	100	Fine the responsible employees

Source: Půček, Matochová (2007)

9.4. Controlling and reporting

9.4.1. Introduction to controlling

Creating a controlling and reporting system is an important part of Smart Administration. Within public administration, the most commonly applied types of controlling include budget, investment, project and strategic controlling. In the case of the Structural Funds, this system is also linked to the evaluation system.

The 'Dictionary of Controlling' states the following about controlling (see IGC, p. 34): "Controlling takes place when manager and controller cooperate. Controlling is the whole process of defining objectives, of planning and controlling in the areas of finance and performance. Controlling involves such activities as taking decisions, defining, determining, directing and regulating." Managers direct activities and are responsible for the results. Controllers are responsible for the transparency of such results, i.e. the transparency of the way they are achieved. However, controlling as

such must be carried out by managers (must be directed by them), while controllers help build the system and participate in it. The above makes it clear that in this concept, directing controlling is not a job for independent audit within the meaning of the Act on Financial Audit (i.e. for the Internal Audit Unit). Even though internal audit units often participate in controlling, use its outputs (reports) and controlling methods.

The output of controlling comprises:

(1) reports and sets of information in a structure that has been agreed in advance (sometimes, the terms 'reporting system' or outputs from the 'management information system' are used), which provide correct and timely information for necessary decision-making, and usually also

(2) a proposed set of measures, i.e. provided that measures need to be adopted.

Areas suited for implementation

If – for any reason – it is not possible or advisable for comprehensive controlling to be implemented, it is advisable that it should be applied in the following areas within public sector organisations: (1) budget controlling, (2) project controlling – see below, (3) the management information system (the reporting system). (4) strategic controlling – this is usually combined with the BSC method (see Chapter 7).

9.4.2. The process of implementing comprehensive controlling

The process of implementing comprehensive controlling in public sector organisations can be divided into eight steps. If we decide to only implement controlling in some areas, some steps can be significantly reduced. Step 8 (communication and training) permeates through all preceding steps. The individual steps:

Step 1 – The analysis (1) of the existing (operational, strategic) planning system, management system including the applied methods (e.g. the process approach, the CAF, the BSC, the ISO – for more information see Chapters 7 and 8), (2) accounting and financial management, (3) the existing management information system (reporting), existing software and technologies.

Step 2 – Determining the set of requirements for the controlling system at all levels and planning the procedure for implementation, deciding the scope of implementation. (For example, before the start of or during this step, the following questions need to be answered: Do I know how I should proceed in implementing controlling? Has this problem been addressed by someone from whom I can learn?) With respect to methodology, inspiration can be found in the 'solving problems and changes' procedure (see the flow chart in Chapter 2.1.5). Top management should be able to clearly define what information, in what structure and how often it needs. For their decision-making, different management levels need different structures, frequencies, details etc. This step also includes planning the implementation procedure and scope.

Step 3 – Implementing managerial accounting. Usually, this is not used in the public sector, which results in the inability to effectively prevent wasting (see Chapter 9.6) and to apply the '3E' principles.

Step 4 – Linkage with the planning, budgeting and management systems. Sometimes, it is also necessary to modify the entire system of planning and management in a way to meet the management's requirements (see step 2). This item is a lot easier to apply if the public sector organisation uses a quality and performance method (for more information see Chapter 8).

Step 5 – Interconnecting or creating a strategic-planning system. At the strategic level, controlling and the BSC method (the Balanced Scorecard method – for more information see Chapter 7) very often effectively complement each other.

Step 6 – Creating a efficient management information system, i.e. 'reporting' system. In nearly all public sector organisations, the system is partly in place in the areas of finance and accounting, but also in other areas. For example, we commonly encounter it in the case of projects. Another question is whether the existing system really provides politicians and managers with (1) correct information (both internal and external), (2) at the right time and (3) in the right structure and form (in graphic, tabular or text form, in printed or electronic form), i.e. for decision-making purposes.

Step 7 – Completing the implementation of full-scale controlling, verifying its functionality, performing corrections as necessary (verifying or repeating all preceding steps).

Step 8 – Communicating with, training and motivating employees, improving. This step is reflected in all preceding steps.

9.4.3. Project controlling and reporting

The issues of project and subsidy management are dealt with in Chapter 11. The risk that the project will fail to accomplish the set objectives (outputs, results or monitoring parameters), exceed the budget (with the implementing party paying the excess amount from its own resources), or meet the deadlines (the time schedule) is relatively high. Therefore, the subsidy may be partly or fully returned. How can that be prevented? Of course, through careful project preparation and good-quality management of all project phases (for project phases see Chapter 11). The continual control of the project's progress (project controlling) is an absolute necessity. This way, it gives the organisation's management and financial managers the certainty that the project will be successful and that money will not be returned.

The P-D-C-A improvement cycle (for more information see Chapter 8) can be used for implementing project controlling. **The individual implementation phases of project controlling:** (1) the 'Plan the implementation of controlling' phase = to do what, why, how, when, where, for what, with whom. This is thus the preparatory phase of controlling. In this phase, it is also important to specify what controlling outputs we will require; (2) the 'Do the plan' phase = the implementation of the planned controlling system (implement the controlling plan into project management practice); (3) the 'Check whether controlling works' phase = verify – have I accomplished the objectives and required results? (carry out a check, draw up a control plan and implement it); (4) the 'Act and improve the controlling system' phase = what measures do I have to implement to improve or repeatedly accomplish the results? (implement the measure).

Project controlling outputs (reporting)

A lot of effort to implement controlling fails to succeed because the management does not sufficiently clarify the requirements as to what it actually expects from controlling, what the outputs are supposed to be. It is important that controlling provides all levels of managers – i.e. for the purposes of decision-making – with the following: (1) correct information (both internal and external), (2) at the right time and (3) in the right structure and form (in graphic, tabular or text form, in printed or electronic form).

Controlling outputs can be neither too brief nor too lengthy. They must make it possible to get to the required information quickly – as opposed to slowly or in a difficult way. They must alert us ahead of time to any arising problems or opportunities etc. As its part, the system should also include a deviation management system that alerts us ahead of time to approaching negative or positive development of the situation. In the ideal case, it unambiguously identifies the place and the cause of the deviation from the desired situation. This allows us to manage projects effectively.

Generally, controlling outputs include:

(1) reports and sets of information in a structure that has been agreed in advance (sometimes, the terms 'reporting system' or outputs from the 'management information system' are used), which provide correct and timely information for necessary decision-making, and usually also

(2) a proposed set of measures, i.e. provided that measures need to be adopted.

Should anything be put in jeopardy in project management, measures need to be taken immediately. In addition, it is important for the overview of the project's progress to be regularly available to the management. A carefully designed system for reporting information – reports, results etc. – to all management levels, within the required scope, in the required form (including visualisation) and by the required deadlines is often referred to as the 'management information system' or the 'reporting system'. Clarity, visualisation and the possibility to quickly get to required information (e.g. in the case of problems) is crucial to the system. Examples of project control outputs are shown in the following table. This is actually the visualisation of adherence to the budget, the deadlines and activities, and the monitoring parameters (outputs and results).

Tab. 33: An example of the schematic evaluation of running projects – the visualisation of the success of the project's progress

Sample project title:	Metropolitan network	Sewerage availability	Regeneration	Marketing in the tour. industry	Retraining	Explanatory notes:
Budget	!	!	O	O	OK	**OK** - everything is OK, no problems **O** - OK, problems are addressed **!** - in jeopardy **!!** - a serious problem
Deadlines, activities	O	OK	O	OK	OK	
Outputs/results	O	OK	!!	OK	OK	

Source: Půček, Matochová (2007)

After the table, it should be added what tasks are adopted for individual projects if the project shows 'deviations' (the failure to meet the deadlines, the budget and the activities, jeopardising the project's objectives). In this way, it can be guaranteed that the management will be alerted in advance to possible problems in project management, thus allowing it to take necessary measures.

9.5. The elimination of wasting – the Lean method ('Lean public administration')

Nowadays, we live in a consumer, in other words 'wasteful' society. Chapter 6 described the issue of resource management including the issue of self-sufficient versus wasteful regions. The elimination of wasting is a significant theme within Smart Administration.

In the business sector, organisations can afford practically no wasting – otherwise they will not survive. There are a number of methods and approaches that have been well-proven in businesses (especially production businesses). One of them is 'Lean production' or 'Lean services' (the Lean method[18]), which is beginning to be applied in public administration as well. The issue of wasting has already been addressed in Chapter 6.2.3.

The 'Lean' method aims to eliminate wasting within the customer-supplier chain. Its focus is on systematically searching for and eliminating all causes of wastefulness and streamlining processes to the largest degree possible. In this concept, leanness stands for making less effort, eliminating unnecessary work and saving both time and resources in all performed activities. This is intended to lead to fewer mistakes, reduced need for workforce, investments, premises, less money tied up in stock and material etc. (grouped into 7 types of wasting – see the following table). The basic idea is that higher productivity does not have to mean higher intensity and more effort; it is based on superior organisation of work. Work intensity means increasing 'work density' within a time unit, i.e. it is nothing more than speeding work up. Productivity is an approach that aims to continually increase that which already exists, using small steps. This means doing the right things right and doing them the first time round. Productivity thus reflects the usefulness of work. There is mutual complementarity between this method and project management.

Tab. 34: Seven types of wasting according to the Lean method – 'Lean public administration'

No	Type of wasting	Sample description in the for-profit sector	Sample description in public administration
1.	Superfluous processing	More value is added than what the customer pays for	Regulations and legislation are followed that are excessive or useless
2.	Useless work	More is produced (done) than what is necessary	Work is done on unnecessary activities and senseless tasks
3.	Waiting and idle time	Due to shortcomings, bad procedures, idle time	Underutilised workforce, idle time due to bad organisation of work and poor management
4.	Stock (and assets)	Products, material or information awaiting processing	Excessive material, stock, but also idle assets, bad investments
5.	Mistakes	The same activity needs to be performed one more time	The same activity needs to be performed one more time, wrongly assigned tasks, poorly prepared activities
6.	Transportation (and logistics)	Excessive movement of material, people and information from place to place	Excessive movement of material, people and information from place to place, from building to building
7.	Movement	Useless movements, bad workplace ergonomics	Useless movements, bad workplace ergonomics
Sometimes, wasting people's creativity, opportunities and local conditions is also listed as the eighth type of wasting.			

Source: Půček (2008)

18 The method was created in Toyota more than 20 years ago.

Within the 'Lean' method – 'Lean public administration' **we can differentiate between the following 7 types of wasting:**

(1) confused or excessive regulations and legislation, for example: (a) regulations (or their parts) are followed that should never have been adopted because – by their nature – this type of activity is not needed by anyone, nothing factually new is created, nothing useful is protected, or the nature is only being obscured, complicated and bureaucratised; (b) regulations and legislation are complicated, allow for many interpretations, and both legal analyses and employee training courses need to be performed continually; (c) laws impose obligations that bring no benefit, are senseless or incomprehensible;

(2) senseless or unnecessary work and tasks, for example: (a) forms and reports are completed that bring no benefit or that are read by virtually no one. (b) work is done on something that actually no one needs now or that was commissioned at a time when such work appeared to be useful yet the conditions have changed. The changed conditions have gone unnoticed and the activity is continued with no purpose. Or – and this is the worse alternative – the employees are aware of that and keep their mouths shut for fear of losing their jobs;

(3) Underutilised workforce and idle time, for example: (a) there are no performance parameters so that the management does not even know that employees do not work to their full capacity. In many public sector organisations, there are no performance parameters, or comparison with others is not performed (benchlearning – see Chapter 8). The standard excuse is that 'we are no factory' and performance measurement is thus not possible; (b) work is very unevenly distributed over the year (possibly due to objective reasons) and the number of employees is set to cope with peak situations; (c) the organisation's management is not sufficiently familiar with the employees' job descriptions and does not make modifications when changes occur. Sometimes, rather than being objective, the procedure is based on 'who is best heard'.

(4) idle assets, useless investments and stock, for example: (a) asset inventory is made inconsistently; the process of selling excessive assets is performed inconsistently. It is unclear what portion of the assets is necessary for fulfilling the mission of the public sector organisation (and what portion is excessive and – with its operational costs – only represents a burden); (b) the sale of excessive assets is lengthy or uneconomical; (c) senseless purchases and investments are made;

(5) mistakes, faulty or incorrect decisions, for example: (a) the same activity must be carried out again due to a mistake by an employee or inaccurate specification; (b) appellate procedures and cancelled decisions in the exercise of state administration; (c) lack of careful thought, rashness: 'we never have time to carefully think about work, yet we always have time to redo the work 3 times over';

(6) transportation, movements, logistics, for example: (a) excessive movement of people or information from place to place, from building to building; (b) illogical placement of offices, a large number of buildings;

(7) movements, for example: (a) wrongly organised offices, disorder and lack of clarity (all the time, something cannot be found), (b) needless movements, bad workplace ergonomics.

There certainly is a wide range of other causes of possible wasting, for example: (1) wasting people's creativity, wrong motivation. Within the 'Lean' method, this often tends to be listed as the eighth type of wasting; (2) the failure to use all kinds of opportunities (for example the unpreparedness for drawing funding from the EU funds); (3) the inability to learn from others (benchlearning, knowledge management – see Chapter 8); (4) bad knowledge of (or wasting) local conditions and local advantages.

9.6. Conclusion on financial management

Behind every financial decision, there are specific people. These everyday decisions either improve the situation of public administration (if they reflect the principles of Smart Administration and sound financial management), or make it worse (senseless investments, wastefulness of all kinds etc.) The authors of the book entitled "Reinventing Government" see bureaucracy as the main culprit: "The problem is not in the people working in the public sector; the problem is in the system. We do not fight bureaucrats, we fight bureaucracy. Public sector employees are trapped in archaic structures that destroy their creativity and drain their energy. We believe that these systems can be changed in a way to release the enormous energy of public sector employees and increase their ability to serve the public." (Osborne, Gaebler, In Vacek, 2006).

10. Modern budgeting methods as a tool of economical, effective and purposeful financing in public administration (experience from the Czech Republic)

In the Czech Republic, there still are reserves in the area of public expenditure budgeting and monitoring from the perspective of the economical, effective and purposeful[19] disbursement of public expenditure, in the way the 3E obligations are provided by the Act on Financial Audit (Act No 320 of 9 August 2001 Coll. on financial audit in public administration). Despite the formally proclaimed changes, the current budgeting system is dominated by the incremental-institutional budgeting approach (Coombs, Jenkins, 1992). In essence, it is based on the logic of the budgeting index approach, where the budget is established on the basis of the preceding budget. While a budget that is designed in this way makes it relatively simple to put together a draft budget, it fails to allow for the monitoring of the economical, effective and purposeful use resources. To date, there is no system that would monitor – within the ex ante audit and the ex post audit – the 3E performance indicators (economic efficiency, effectiveness and purposefulness) for individual expenditure activities, as required by the Act on Financial Audit. Consequently, while expenditure activities may formally (with respect to accounting and documentation) be performed correctly, there are no data for evaluating expenditure activities, i.e. data that would provide a comprehensive picture of the economic efficiency, effectiveness and purposefulness of cost activities. Therefore, the objective of transformation should be the systemic transformation of the incremental-institutional budgeting method into a system that is based on the demand approach.[20] A change in the area of the systemic budgeting approach, which is associated with the introduction of one of the modern budgeting methods, is one of the prerequisites for public budget reform in the area of public resource allocation. The concept of the problem that is presented in this chapter is the result of the author's research carried out within the MSM0021620841 research project entitled "Development of the Czech Society in the EU – Challenges and Risks" that was undertaken by the Faculty of Social Sciences and the Faculty of Arts, Charles University in Prague between 2005 and 2010.

19 In this chapter, we use the term 'purposefulness' (as an equivalent of 'effectiveness'), because we cite, or rather refer to the Act on Financial Audit. See also the initial footnote in the preceding chapter.

20 The issue is addressed in more detail in the publication Ochrana, F.: Veřejná volba a řízení veřejných výdajů. Praha, Ekopress 2003, p. 123 – 156.

10.1. The systemic starting point of the reform approach to budgeting (from the supply-based to the demand-based budgeting approach)

The incremental-institutional approach is a supply-based system of resource allocation. It is characterised by the fact that the administrators of the chapters play an important role in creating a draft budget. In fact, they are the 'initiating offerors' of the budget, while the starting point for budgeting is the preceding budget, adjusted using the so-called increments (such as inflation). This approach is based in particular on the index method of budgeting. The basic weakness is that the decisive criterion for resource allocation is the institutional viewpoint. Within the existing logic of the supply-based budgeting method, there is no systemic coherence between the individual budget priorities in pursuance of political decision-making and resources. The fact that in the system of incremental-institutional budgeting logic we primarily finance institutions has negative consequences, namely that we usually fail to ask the fundamental question about the purpose of the given institution's existence (i.e. about the purposefulness of allocated resources) and about their effective use (from the perspective of economically rational use of inputs in relation to achieved output).

As a systemic antithesis, there is the **demand-based budgeting logic.** In this system, the social priorities for allocating limited resources are set on the basis of pre-defined public interests, social needs and objectives. As a priority, scarce resources are allocated where the need to satisfy public needs and, by extension, the objectives derived from such needs is felt with greatest intensity. Such an approach can be applied both to the state-budget area and to the area of self-government.[21] **In EU countries, there is practical experience with budgets designed in this way.** In the area of designing the state budget, we can find inspiration for example in the experience from Great Britain; Danish experience is inspirational for budgeting at the level of self-government.

In the Czech Republic, it is necessary to **link the transition** from the supply-oriented budgeting approach **to the demand-oriented budgeting approach with changes in the area of budgeting methods,** namely towards such methods that would allow the monitoring of transformation objectives in the area of resource allocation and the monitoring of economic efficiency, effectiveness and purposefulness of disbursed resources.

10.2. The overview of modern budgeting methods as tools for implementing an economical, effective and purposeful allocation of resources. Programme-performance budgeting in the Czech Republic

To date, most of the Czech Republic's experience has been with using the above-mentioned incremental budgeting method. This can, of course, continue to be used, i.e. for example for calculating current expenditure, provided that there are cost standards. In that case, the method needs to be interconnected with the indicators of economical, effective and purposeful resource allocation. However, it continues to be undesirable for the method to be only linked with institutional financing, where the purposefulness of public resource allocation is not monitored at the input and output is not monitored in the form of performance indicators. There are a

21 The application of this approach to the area of self-government is addressed by the publication Ochrana, F.: Veřejné služby – jejich poskytování, zadávání a hodnocení. Praha, Ekopress 2007.

number of budgeting methods that are suitable for effective and purposeful resource allocation. Their overview is presented in the following table.

Tab. 35: Budgeting methods that are suitable for supporting public sector reform and for monitoring the economical, effective and purposeful allocation of public expenditure

Name of method	Budgeting criterion	Note
Zero-based budgeting (ZBB)	Start from zero-basis, creation of 'packages' taking account of transformation objectives, addition of programme activities up to a politically defined amount	**Advantage:** • suitable for a comprehensive transformation of the department, • an evident overview of the programmes in pursuance of transformation objectives. **Disadvantage:** • zero-basis is re-examined every year, • not suitable for use as a universal method beyond the medium-term horizon
Target budgeting	Public expenditure budgeting that is based on the share of cost elements in the targets	**Advantage:** • suitable for use in administrative units (e.g. the central administrative level) and for auxiliary elements. **Disadvantage:** • financing into the organisational structure.
Programme budgeting	Share in the accomplishment of objectives that are broken down into the programme structure	**Advantage:** • systemic linkage of resource allocation, • targeted restrictions, • transparent allocation. **Disadvantage:** • a management problem resulting from the fact that the organisational and the programme structures exist in parallel ('two-track' management).
Performance budgeting	Share in objectives measured in the form of performance	**Advantage:** • a performance indicator system that allows for measuring the performance of cost elements. **Disadvantage:** • if budgeting is not performed into programmes, purposeful resource allocation as such may not be ensured.
Functional budgeting	Share in the fulfilment of activities	**Advantage:** • a transparent view of the cost-based evaluation of activities. **Disadvantage:** • the purposefulness criterion is not necessarily monitored.
Budgeting for Results	A global grant is appropriated and managed on the basis of the ideas of new public management	**Advantage:** • managers and cost centres have economic interest in the effective use of resources. **Disadvantage:** • little experience thus far, • adequate legislation governing budget rules is needed in the Czech Republic.

Source: The authors

In the Czech Republic, systemic budgeting changes have already been prepared in recent years, namely in the form of the **'programme-performance budgeting'.** This transformation process has not been completed yet. The advantage of this budgeting method lies in the fact that it incorporates the strengths of programme, performance and target budgeting, while largely eliminating their shortcomings. In this budgeting method, we monitor the criterion of purposefulness, which corresponds to the allocation objectives that are transformed into the programme structure, with the programme activities being monitored within the system of performance indicators. **At the beginning of the budgeting process,** we ask ourselves the following questions and seek their answers, as is schematically shown in the following table.

Tab. 36: Questions that are asked at the beginning of the budgeting process when developing a programme-performance budget

Problem question	Measures (government activity) for solving the problem question
What do we want to accomplish?	Define objectives!
How to accomplish it?	Define resources!
How much will it cost?	Define costs!

Source: The authors

The above questions are also the basic criteria for evaluating implemented public expenditure. **Following the closure of the budget year,** we seek answers to them and evaluate the effectiveness of public resource allocation (see the following table).

Tab. 37: Answers to questions following the closure of the budget period of a programme-performance budget

Problem question	Measures (government activity) for solving the problem question
Have we accomplished what we wanted to accomplish?	Evaluate objectives!
In order to accomplish the objective, have we done what was originally intended?	Compare objectives and results! Check the results!
Is there a difference between envisaged and actual costs?	Perform cost calculation and compare it with the original calculation!

Source: The authors

It is obvious that the logic behind the development of a performance-oriented budget lies in the linkage (the search for harmony) between the objectives of the policy, its instruments through which these objectives are accomplished, and the resources that are required for that. The basic systemic idea of performance-oriented budgeting is thus the internal linkage between government policy (its objectives – 'what do we want to accomplish?') and the effects of such a policy (the results). Within the budgeting process, the linkage between the measures of the given policy and its effects (results) are then monitored on the basis of performance indicators.

10.3. Monitoring of economic efficiency, effectiveness and purposefulness indicators in programme-performance budgeting

Monitoring of the economically rational management of resources requires that there are indicators of economical, effective and purposeful management of disbursed resources. We formulate these indicators in the ex ante audit, continuously monitor their fulfilment and use them to evaluate their accomplishment in the ex post audit once the expenditure activity is completed. An example of performance indicator monitoring is shown in the following table.

Tab. 38: Performance indicator monitoring in programme-performance budgeting

Performance perspective	Measurement method	Suitable method used
Economic efficiency	Costs at inputs	CMA (cost-minimisation analysis), comparing inputs to standards
Cost effectiveness	Costs / unit of output	CEA (cost-effectiveness analysis)
Purposefulness	Envisaged objective / fulfilment	CUA (cost-utility analysis), % accomplishment of objective, utility measured on a scale
Fulfilment of standard	Comparing result to accepted standard	Comparison, benchmarking
Fulfilment of competences	Compliance with law and, as the case may be, regulation	Structural-functional analysis, content analysis
Quality of services	User properties	Exploration methods

Source: The authors

The above indicators allow for performance monitoring and for implementing the **performance audit.** Presently, its implementation is becoming one of the objectives of the Supreme Audit Office of the Czech Republic. The existing system of auditing disbursed resources consists in **'process auditing'** and ex post auditing, which only monitors three types of financial resources under the conditions existing in the Czech Republic, namely the amount of audited resources, the number of mistakes and subsequently also what number of the detected mistakes need to be addressed as damage.

The above financial indicators tell us little about the audit of the purpose of public resource allocation, and about the effectiveness of the allocation. Process auditing is designed in a way that, in principle, does not monitor the input-output relation. Therefore, it may not uncover ineffective resource allocation at all. This auditing method cannot provide an answer to the question to what extent the given resource allocation is needed from the perspective of objectives, purpose and the relation between disbursed resources and results. Therefore, public resources may even happen to be consumed without the actual effect (benefit) of implemented expenses being known. For all public sector managers, the obligation to perform result auditing (result audit) is provided by the Act on Financial Audit. The Act imposes the obligation to perform the public expenditure monitoring in the form of ex ante, interim and ex post audits, as show in the following table.

Tab. 39: Performance audit types provided by the Act on Financial Audit

3E audit forms imposed on public sector managers by the Act on Financial Audit	Methods and ways of performance indicator auditing	Note
Ex ante Audit	Determines economic efficiency, effectiveness and purposefulness indicators for expenditure activities at the time of expenditure activity planning.	Provided by the Act on Financial Audit (Sec. 26)
Interim audit	Monitors both the continuous fulfilment of performance indicators and the accounting and documentation correctness of implemented expenditure activities.	Provided by the Act on Financial Audit (Sec. 27 and 28) within the internal audit system
Ex post audit	Evaluate the degree of fulfilment of performance indicators once the expenditure activity is completed.	Provided by the Act on Financial Audit (Sec. 27 and 28) within the internal audit system

Source: The authors

Ex ante auditing consists in setting the objectives of public policies and defining the corresponding indicators. Set objectives are then monitored within continuous auditing. Should discrepancies from the originally planned values be detected, corrective measures are taken. Once the expenditure activity is completed, an ex post audit is performed, in which the success of the allocation of disbursed resources is evaluated – on the basis of performance indicators – from the 3E perspective. Programme-performance budgeting thus allows for comparing the individual public policies' plans (objectives) with their results in the context of rational public resource use

11. Project management, subsidy management and Smart Administration

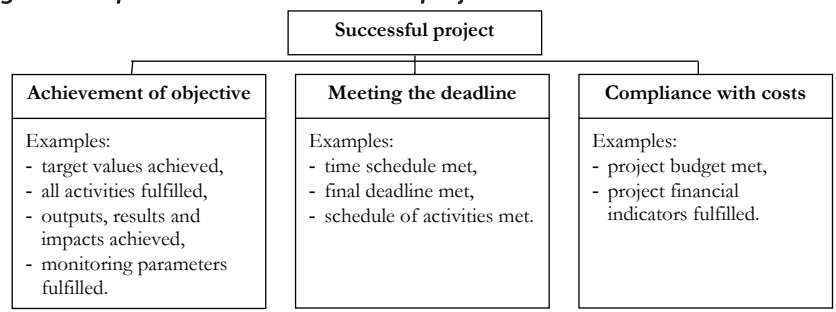
11.1. What is project, project management and when to use them

When is project management used: Project management is one of the basic instruments applied within Smart Administration. In practice, project management is used when an investment is being prepared, any change is being planned etc. For example, this involves projects for implementing new software or information systems, organising major cultural or social events, improvement projects (e.g. the implementation of ISO, the CAF model, quality standards), projects for implementing or formulating strategies, reorganising activities etc. And of course – and that is the topic of this chapter – project applications for co-financing from EU and state resources ('subsidy projects'). The issues of cohesion policy and the structural terms are addressed in Chapter 2.

It is not advisable to use project management especially in the following cases: (1) for repeated, routine activities, and for insignificant, low-risk projects (e.g. while organising a repeated internal training session does not require project management, this can be effective when organising a two-day conference for 100 participants); (2) in emergency or crisis situations (natural disasters, catastrophes etc.) – in these situations, it is better to use the crisis management method; (3) if the activities concerned are too long (e.g. longer than 3 years); (4) in situations that are dominated by chaos, emotions, hopelessness, or where lack of education prevails.

So, how can they be defined: "A project is a unique process consisting of a set of coordinated and controlled activities with start and finish dates, undertaken to achieve an objective conforming to specific requirements, including the constraints of time, cost and resources" (according to ISO 9000, p. 25).

Fig. 40: The parameters of a successful project



Source: Půček, Matochová (2007, p. 53)

From there, **deriving the term Project Management** is only a small step away: **Project management** means planning, implementing and checking a set of activities (e.g. complicated activities, one-off projects) that need to be performed: (1) within a set **deadline** (meeting the time schedule for project activities), (2) at the planned **costs** (meeting the project budget), (3) so that planned **objectives** are achieved (fulfilling the outputs and results of the project).

11.2. Subsidy management, subsidy projects and the phases of their management from the applicant's perspective

What is subsidy management about

The basic functions of management in general include:

1. **Planning,** which defines objectives, target values and the means of achieving them.
2. **Organising** – includes structures and procedures that ensure the implementation of the plan.
3. **Directing,** which comprises leading, motivating and stimulating the organisation towards activities whose implementation is defined by the plan.
4. **Controlling** – using feedback to direct the activities in a manner that allows for objectives and target values to be achieved (for more on project controlling see Chapter 9).

Based on the above, we can derive what subsidy management is about. **Subsidy management** means planning, organising, directing and controlling a subsidy project. That said, **subsidy projects** are projects that are co-financed from public resources (especially the resource of the EU, the state, various foundations etc.) Also, it is safe to say that in these projects, the applicants compete against each other for their projects to be co-financed by the EU, the state or another announcing party. Successful applicants – project contractors – practically assume the role of the 'suppliers' of required outputs, results and impacts (project objectives that correspond to the objectives of the programme) by a required deadline and within an agreed budget. The EU or the state thus 'purchases' changes (outputs, results, impacts) from individual project contractors in the area of the quality of life, the environment, the economy and the society (e.g. encouraging GDP growth, creating jobs, new services, necessary infrastructure, innovation etc.)

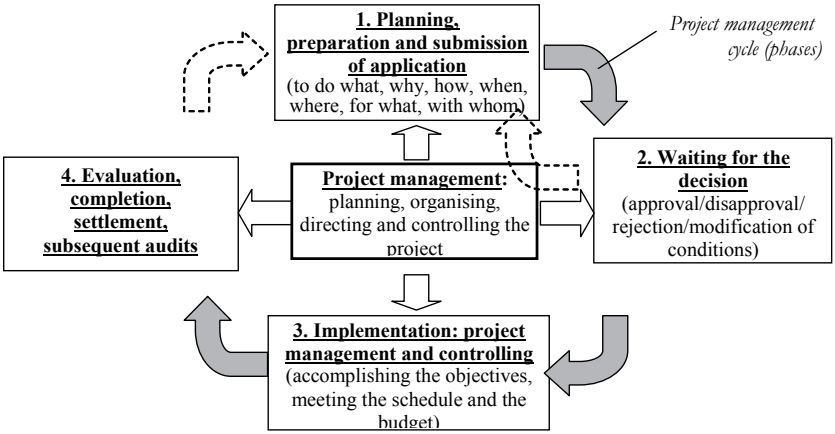
The description of the phases of a subsidy project

The individual phases of the preparation, implementation and completion of a subsidy project are shown in the following figure. Each of the above project phases is important and has its own risks and requires effective management. The following description is far from complete – it only shows some aspects that should be considered:

Phase 1: Planning, preparing and submitting an application

If we underestimate the phase of project preparation – i.e. planning the project and preparing and submitting the application – we can easily get into trouble with respect to accomplishing the objectives and meeting both the costs and the time schedule. We must very carefully answer the questions – what do we want to do and why, why should it be submitted within this particular call for projects, how will we implement everything, when and by what deadlines, where will the activities be taking place, at what costs and with what resources, with whom will we perform the activities etc. In this phase, we often find out that while our project may be excellent, it is completely unsuitable for submission within a specific call for co-financing applications (in short, that our project does not correspond to the objectives of the call or the manual for applicants). In this phase, all financial issues of the project need to be planned (the budget, separate accounting, financing method – sufficient resources for the entire duration of the project, securing financial participation, addressing the financial risks, the method of financial auditing etc.) This phase ends with the submission of our project by the set deadline.

Fig. 41: Individual phases of the subsidy project from the applicant's perspective



Source: Půček, Matochová (2007, p. 55)

Phase 2: Waiting for the decision

In the second phase, we wait for the decision whether our project has succeeded in the competition of others and will be co-financed. In the past, it was no exception that in the case of applications submitted to the EU funds, you had to wait months and sometimes even more than a year. This phase includes supplementing the application (if we are asked to do so), the approval or disapproval of the project and possibly also the refusal of the approved project by the applicant (e.g. due to budget cuts, a change in monitoring parameters etc.) In some cases, there are also negotiations on the project's conditions. The phase ends with the signing of a project implementation contract (or a similar act).

Phase 3: Implementation – project management and controlling

The third phase involves implementation, i.e. project management and controlling. **What needs to be monitored for the project?** The careful reader will easily answer this question. It is necessary to watch **the deadlines** (meet the schedule), monitor **the costs** (meet the budget, usually – separate accounting is performed). All this would be for nothing if the project failed to meet the **set objectives** (in a project application, these are often referred to as planned outputs/results, sometimes also as monitoring parameters). **The project is therefore successful** if we implement it on time, at the set (or lower) costs and if the we accomplish the project's objective. This is often the stumbling-block – if we set absurd objectives, we achieve absurd results. If we set the costs incorrectly, the project gets disproportionately expensive against the plan (additional costs are usually ineligible and we pay them to 100 %). An unrealistic schedule or its bad timing can lead to non-compliance with deadlines or monitoring parameters or to the project becoming more expensive (possibly also to returning the subsidy). To avoid these problems, we need to manage the project and set the controlling mechanisms **(project controlling).** Should anything be put in jeopardy in project management, measures need to be taken immediately. A carefully designed system for reporting information – reports, results etc. – to all management levels, within the required scope, in the required form (including visualisation) and by the required deadlines is often referred to as the 'management

information system', the 'reporting system' or 'project monitoring'. For further information about project controlling and reporting see Chapter 9.

Phase 4: Evaluation, settlement, completion, subsequent audits

The fourth (often underestimated) phase includes the project's completion, evaluation and final settlement. We also need to keep in mind that – even after many years – we can still be subjected to subsequent project audits (e.g. by the provider, the tax office, the European Commission etc.) There is a high risk that unless we fulfil the set objectives – at least in part, we will have to return the money.

11.3. Responsibility within Structural Funds subsidy management

The issue of EU cohesion policy's application in the Czech Republic is dealt with in Chapter 2. The preceding text addressed subsidy management from the applicant's perspective.

The following table summarises the responsibilities of the individual levels (the national coordinator – the managing authority – the applicant). The national coordinator is responsible for the objectives, indicators and financial resources of the National Strategic Reference Framework (NSRF). NSRF objectives and indicators are accomplished through the objectives and indicators of individual operational programmes. In turn, individual projects contribute to the accomplishment of the operational programme's objectives and indicators.

Tab. 40: Responsibility in managing the NSRF

Level	Document	Responsibility for			Sample activities
The national coordinator	National Strategic Reference Framework (NSRF)	NSRF objectives ∧	NSRF indicators ∧	NSRF resources ∧	NSRF programming (programme preparation), planning, coordination, methodical management, monitoring, evaluation
Managing authorities	Operational programmes	Objectives of the OP	Indicators of the OP	Resources of the OP	Programme preparation, planning, management, controlling, monitoring, evaluation
Applicants	Projects	∧ Project objectives	∧ Project indicators	∧ Project costs	Preparation, planning, organising, managing, controlling, evaluation, subsequent audits

Source: The authors

11.4. Conclusion on project and subsidy management

As mentioned in the introduction to this chapter, if we want to implement a change of any kind – for example to better manage a public sector institution or to use subsidies to finance an investment – it is advisable to employ project management as a tool for implementing such a required change or investment. Project management is thus a method (or an approach) that can be included among Smart Administration methods. It will often be combined with other approaches and methods that are applied within Smart Administration.

12. Sustainable development and Smart Administration

12.1. Sustainable development

12.1.1. The emergence of the concept of sustainable development

The EU cohesion policy and, by extension, the Smart Administration measures that are financed therefrom respect the principles of sustainable development. Sustainable development is also incorporated into the Czech Republic's legislation and strategic documents. The issue of the EU cohesion policy is described in Chapter 2, the Czech Republic's approach to Smart Administration in Chapter 4. The issue of territorial development including the causes of failure is addressed in Chapter 6.

The first reference to the necessity of ensuring sustainable growth in a fundamental international document can be found in the establishing document of the Organisation for Economic Co-operation and Development (Rynda, 2000): "The aims of the Organisation for Economic Co-operation and Development shall be to promote policies designed to achieve the highest sustainable economic growth (Convention on the OECD 1960)."

In the 1960s, the issue started to be addressed in a truly systemic way (in connection with the dramatically increasing pollution of all environmental components) by prominent scientific and research organisations. These organisations reach (Rynda, 2000) "…a conclusion which, as trivial as it may seem from today's perspective, only slowly and with difficulty gained general acceptance, namely that **within a self-contained system of limited resources, permanent quantitative growth is not possible** (see the Study of Critical Environmental Problems, Massachusetts Institute of Technology, 1972). Despite the fact that we have failed to mention a myriad of natural-scientific, economic and popular scientific literature (Silent Spring by Rachel Carson, Small is Beautiful by Ernst F. Schumacher and, above all, Limits to Growth by Donella and Dennis Meadows from 1972, to name but a few), even the short list makes it obvious that the issue of sustainability appears in the social, economic and natural spheres and, subsequently, questions concerning sustainability also start to be asked in the general, systemic context. Even so, what is less emphasised and less understood is the paramount fact that in a global world, it is our planet, its nature and its human population that become a single enclosed system." Based on these facts, in 1983 the UN established a special commission and invited Gro Harlem Brundtland, a Norwegian politician, to chair it. The commission's task was to find a path to further sustainable development of mankind. The commission's work resulted in the publication of the summary report of the World Commission on Environment and Development entitled "Our Common Future", which was published in 1987. Subsequently, the United Nations General Assembly approved the World Commission's report and decided to convene the worldwide United Nations Conference on Environment and Development (UNCED), which was held in Rio de Janeiro in 1992 (for example Moldan, 1996, 2001; Moldan, Hák, Kolářová, 2001; Huba, 2000, 2001; Rynda, 1999, 2000; Borja, Castells, 1997, p. 126; Půček, Goldová, Trezner, 2007).

Sustainable development definition

Nowadays, we can find various definitions of sustainable development. The classical definition was presented in the report 'Our Common Future' in 1987. Some of the definitions are listed in the following table.

Tab. 41: Various definitions of the term 'sustainable development'

Source of definition	Definition
The report Our Common Future (1987)	(Moldan, 2001, chapter 5): It is such a development which ensures that the needs of the present society are satisfied without compromising the possibility of future generations to satisfy their own needs. In other words: economic development that does not destroy the natural resource basis and the environment.
Czech legislation (1992)	(Act 17/1992 on the environment, Section 6): Permanently sustainable development of the society is such a development that preserves future generations' ability to satisfy their basic needs while, at the same time, it does not reduce the diversity of nature and preserves the natural functions of ecosystems.
The Czech Republic Strategy for Sustainable Development (2004)	(The government of the Czech Republic, 2004, p. 3): The objective is such a development that ensures a balance between the three fundamental pillars: social development, economic development and environmental protection, as was symbolically proclaimed in its motto: people, planet, prosperity. The essence of sustainability lies in the attainment of the following three basic objectives: (1) social development respecting the needs of all, (2) efficient protection of the environment and prudent use of natural resources, and (3) the maintenance of a high and stable standard of economic growth and employment.
The definition adopted by the government of the United Kingdom	(Moldan, 2001, chapter 5): Sustainable development ensures a better quality of life for everyone, now and for generations to come. To that end, four objectives need to be accomplished at the same time: (1) social progress which satisfies the needs of everyone, (2) efficient protection of the environment, (3) prudent use of natural resources, (4) the maintenance of high and stable levels of economic growth.
The definition of the social ecologist Ivan Rynda	(Rynda, In Huba, 2002, p. 61): Sustainable development is a comprehensive set of strategies which make it possible to satisfy human needs, material, cultural and spiritual, using economic instruments and technologies, while fully respecting the environmental limits; to make this possible within the global scope of today's world, their social-political institutions and processes must be redefined locally, regionally and globally.

Source: The authors

12.1.2. Three dimensions of sustainable development

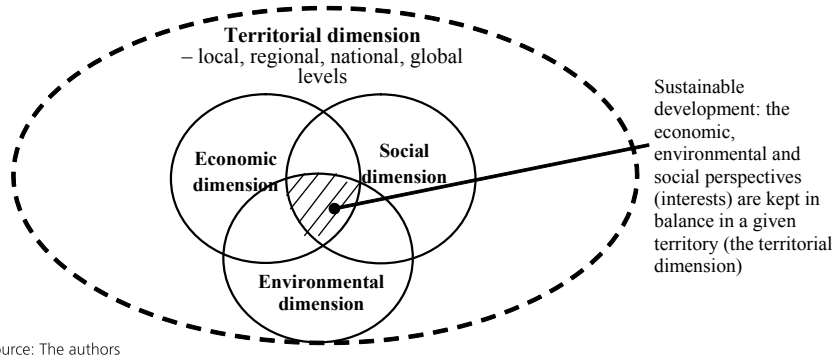
The main pillars of the concept of sustainable development include: (1) the economic dimension, (2) the social dimension and (3) the ecological (by some authors referred to as 'environmental') dimension (Dobrovolný, Herber, Hynek, 2004, chapter Sustainability, p. 3):

- "The economic dimension of sustainability is based on the need to retain the basic capital and only use the profit that has been generated, i.e. in all economic activities. This applies not only to produced capital (human), but also to natural capital. This is because from the economic viewpoint, natural resources can be viewed as different types of natural capital, ...
- The social dimension of sustainability concerns both people as individuals and the society. Human development means eliminating poverty, improving health, longer average life span, less disease, but also better education, decent living conditions, safety and security. Social development involves, above all, the institutions of democracy, ensuring human rights and freedoms, and a fair social order.

- The ecological dimension of sustainability points to the fact that economic activity and the overall development of civilisation take place within a wider context of natural conditions. People and their activities are part of Earth's biosphere and are fully dependent on natural resources."

Recently, there has been increasing discussion about a fourth dimension of sustainable development – namely the territory in which development takes place (the territorial dimension of sustainable development). See the following figure.

Fig. 42: Sustainable development: the balance between the economic, social and environmental viewpoints in a given territory



Source: The authors

12.2. Sustainable development at the local level – Local Agenda 21

Local Agenda 21 (hereinafter LA 21) was defined by the UN in 1992 as part of the document entitled "Agenda 21". If applied correctly and consistently, LA 21 makes it possible to identify the needs of the citizens in a given territory, communicate with them and involve them in decision making, i.e. in a systematic way and while respecting sustainable development.

LA 21 is defined as (CENIA 2006) **"a tool** for applying the principles of sustainable development at the local and regional levels and, at the same time, as a **process** which through improving the administration of public matters, allowing for strategic planning, involving the public and using the achieved level of knowledge of sustainable development in individual areas, **enhances the quality of life** in all respects and **heads towards citizens' taking responsibility** for their lives as well as for the lives of other beings in time and space".

The principles of Local Agenda 21 are included in a number of projects – the **Healthy City** project (for more information see www.nszm.cz), in community planning of social services (more at www.mpsv.cz/cs/849), in implementing the so-called "Citizen's Charter" (for more information see http://www.mvcr.cz/clanek/verejna-sprava-podpora-zavadeni-kvality-ve-verejne-sprave.aspx?q=Y2hudW09Ng%3D%3D) etc. The methodology of the National Network of Healthy Towns is a highly successful application of the principles of LA 21 and other principles.

Sustainable development at the local level is also the basis of the **European Indicator Set** for sustainable development (see www.timur.cz), which establishes a common

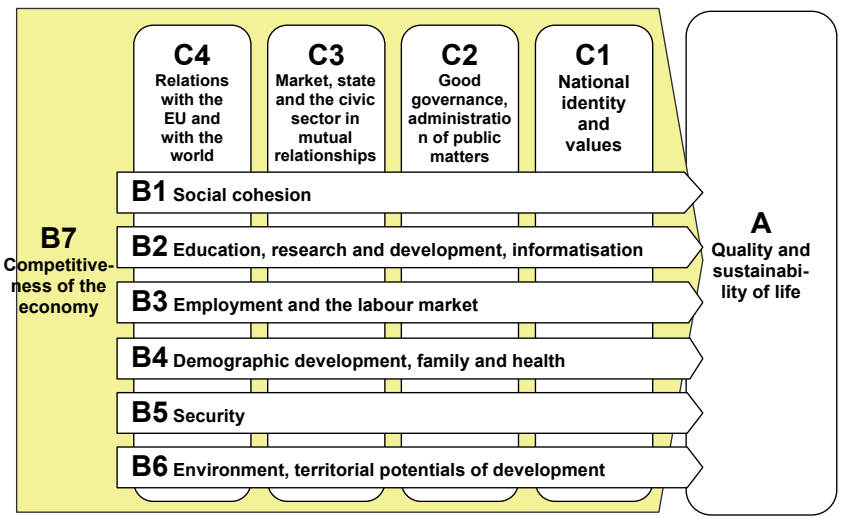
methodology for evaluating citizens' satisfaction, availability of basic services, the ecological footprint and other indicators relating to quality of life and sustainable development. Local Agenda 21 and the results of indicators from the European Indicator Set are dealt with in the case study entitled "The Town Hall's Approach to the Environment", which is available for download at http://www.mestovsetin.cz/VismoOnline_ActionScripts/File.aspx?id_org=18676&id_dokumenty=479263 (Czech version) and at http://www.mestovsetin.cz/VismoOnline_ActionScripts /File.aspx?id_org=18676&id_dokumenty=480365 (English version).

Quality and sustainability of life

Improving the citizens' quality of life is a common objective for territorial units. "Improvement in quality of life can be achieved on the basis of comprehensive solutions that emerge from sustainable development." (Potůček, 2005, p. 12). In the publication entitled "How We Are Doing. What Now? – **The Strategic Audit of the Czech Republic",** Martin Potůček presents a lot of specific information about the Czech Republic's condition and, above all, many guidelines and ideas how to ensure the improvement of quality of life while respecting the principles of sustainable development. The publication also presents a model of the development of Czech society and its modernisation in the global context (see the following figure).

The terms quality of life and sustainable development are linked. States, regions and localities alike strive to ensure their development, the usual objective being to improve the quality of people's lives. However, this planet has its limits that cannot be gone beyond in the long run. After the conference in Rio de Janeiro in 1992, most countries in the world have incorporated the principles of sustainable development into their strategies as a framework for improving quality of life. In this context, the content of the definition of sustainable development has also been newly formulated by the European Parliament (Dobrovolný, Herber, Hynek, 2004, chapter Sustainability, p. 2): "Sustainable development means improving the population's standard of living and well-being within the limits of ecosystems' capacity while preserving natural values and biodiversity now and for generations to come."

Fig. 43: The model of the development of Czech society and its modernisation in the global Context



Source: Potůček (2005, p. 10)

The model gives us an idea about the quality of life (the total picture) using the evaluation of (1) the objective conditions on the one hand (this includes the Human Development Index, individual development potentials B1 through B7, individual formative regulators C1 through C4 – see the above figure) and (2) the subjective perception on the other. This is summarised in the following figure.

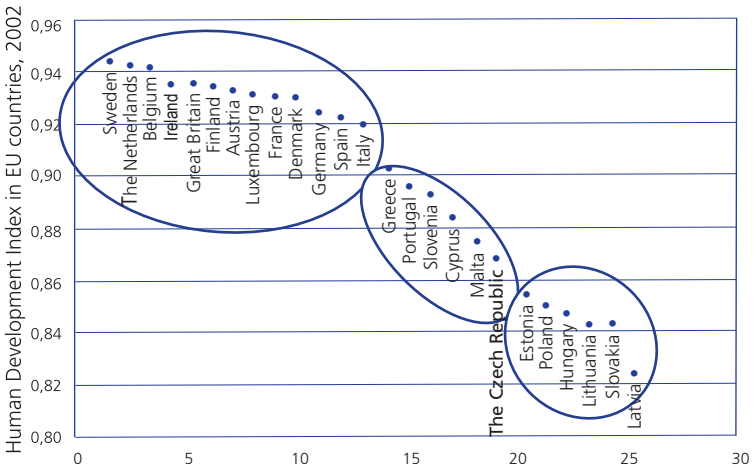
Fig. 44: The objective conditions and the subjective perception of the quality of life

	Overall	**In partial areas of quality of life**
Objective conditions	Human Development Index	Individual development potentials (B) and formative regulators (C)
Subjective perception	Overall life satisfaction Life optimism	Selected partial areas

Source: Potůček (2005, p. 11)

The results of the **Human Development Index** are shown in the following figure. The results indicate that Czech quality of life when evaluated according to the Human Development Index roughly corresponds to the levels achieved by Greece, Portugal, Cyprus and Malta, i.e. the levels of the least developed old EU countries (Potůček, 2005, p. 14): "The overall Human Development Index for the Czech Republic, derived from GDP per capita, life expectancy at birth and educational attainment, is greater than 0.8. That ranks us among 55 countries in the world that are categorised by the UNDP as a group of countries with a high degree of human development and quality of life. According to the current value of the index, the Czech Republic ranks 32 out of the world's 177 countries and 19 among the EU-25 countries. By comparison to other post-communist countries, the Czech Republic's position is relatively good. We are ahead of the remaining Visegrad countries and the Baltic countries. By contrast, however, all old member states have a higher Human Development Index."

Fig. 45: EU countries in ranking of their Human Development Index values



Source: Potůček (2005, p. 14)

12.3. Environmental management

Environmental management is management that applies an environmentally friendly approach in all its decision-making processes within all performed activities, i.e. both in (1) the day-to-day operational decision making, and (2) strategic planning.

The objective of environmental management of territorial units is sustainable development of the region (the issue of territorial development is addressed in Chapter 6), i.e. balancing development from the economic, social and environmental perspectives.

The ISO standard gives the following **reasons for implementing environmental management: (1)** "An organization should implement an effective environmental management system (EMS) in order to help protect human health and the environment from the potential impacts of its activities, products or services; and to assist in maintaining and improving the quality of the environment" (see ISO 14004, p. 6). **(2)** "An EMS provides order and consistency for organizations to address environmental concerns through the allocation of resources, assignment of responsibilities, and ongoing evaluation of practices, procedures and processes" (see ISO 14004, p. 5).

(3) "An organization whose management system incorporates an EMS has a framework to balance and integrate economic and environmental interests" (see ISO 14004, pp 7).

In Europe, the **standards** that are most commonly used for implementing an **environmental management system (EMS)** are as follows: (1) the EMAS system – pursuant to Council Regulation (EEC) No 1836/93, (2) standards of the ISO 14000 series, (3) the cleaner production method.

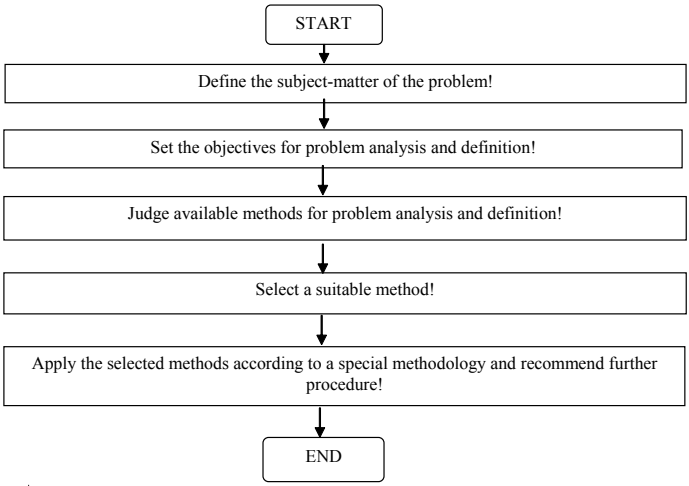
Environmental management systems are above all systems that serve for initiating a change in the approach to the environment (as a result of a change in the approach, changes may occur in the energy and technology areas, the method of making investments, purchases etc.): **"The result of implementing an EMS** is, on the one hand, a contribution to sustainable economic growth and prosperity and, on the other hand, a gradual reduction of the negative impacts of its activities, products and services on the environment. This strategy, which is based on the principle of sustainable development that satisfy the needs of the present without compromising the ability of future generations to satisfy their own needs, is also referred to as the win-win strategy." (Kubínová, Kantora 1998, p. 6.) Also significant is the fact that "In Europe, public institutions are amongst the largest consumers. They spend approximately 16 % of the European Union's gross domestic product. In the case of the Czech Republic, it is estimated that public institutions spend approximately 17 to 19 % of the country's GDP. By using their purchasing power to select goods and services that also take account of the environment, they can significantly contribute to sustainable development." (STEP 2004, p. 4.) A large portion of public administration's resources goes to investment activities: "The activities of the construction sector are vital to the achievement of the national socio-economic development goals of providing shelter, infrastructure and employment. However, they can be a major source of environmental damage through depletion of the natural resource base, degradation of fragile eco-zones, chemical pollution and the use of building materials harmful to human health" (ICLEI, vol. 16, p. 3).

13. Methods for problem analysis and definition as a tool for the effective exercise of public administration

The effective exercise of public administration depends on a number of factors. One such factor is the use of suitable methods on whose basis we can analyse and define problems in public administration – as needed – and search for ways to effectively solve them. In this part of the text we will point out at the use of selected methods for analysing problems in order to promote the effective exercise of public administration. These include in particular: actors analysis, analysing the framework limitations to problem solving, event analysis, brainstorming, the 'why-why' diagram, the Ishikawa diagram (the fishbone diagram), dimensional analysis, hierarchical analysis, problem explanation, classification analysis, mind maps, the problem tree.[22]

The author has been examining these methods in the long-term within the MSM0021620841 research project entitled "Development of the Czech Society in the EU – Challenges and Risks" that was undertaken by the Faculty of Social Sciences and the Faculty of Arts, Charles University in Prague between 2005 and 2010. When selecting a suitable method, we can proceed as follows (see the below figure):

Fig. 46: The methodological procedure in selecting a method



Source: The authors

When selecting a method, the initial step within the methodological procedure is the **framework definition of the problem's subject-matter.** This means both the content of the problem and the consequent specification of the basic problematic question. Once it is clear to us what the problem's subject-matter is, we set the **objectives for the analysis.** It is the objectives of the analysis and the definition of the problem that determine what is to be accomplished. Defining the target situation is important because with the given objectives in mind, we then **select a suitable method** from the available set of methods that can be used for problem analysis and definition. Subsequently, we **apply** the selected method **according to a special methodology** and propose **recommendations** for solving the problem.

22 I would like to thank my colleague A. Veselý from the Centre for Social and Economic Strategies, Faculty of Social Sciences, Charles University for providing information and the working material entitled "Metody analýzy a vymezení problému" (Methods for Problem Analysis and Definition), Prague, Faculty of Social Sciences, 2007, which was used for preparing this part of the publication.

13.1. Actor analysis

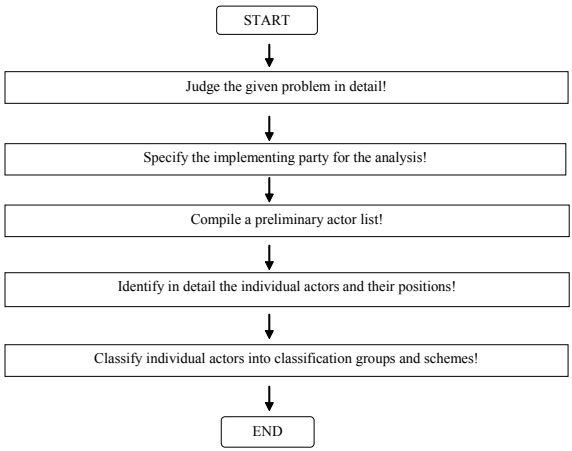
If complex problems in public administration are to be solved effectively, we need to know all the factors that affect the problem that is being analysed. These factors are referred to as **actors.** What the term actor means is that the given factors are somehow involved or have an interest in solving (but also in not-solving) the given problem. Those factors that have a positive interest in solving the problem are referred to as **positive actors in problem solving.** By contrast, the factors that have no interest in solving the problem (for example, from the perspective of their existence hitherto, they are threatened by the impacts of public administration reform) are referred to as negative actors. Such actors have no interest in solving the problem. In problem solving, both types of actors need to be taken into consideration. Positive factors act as our allies and supporters in problem solving. Negative actors represent the hampering factors in problem solving. Actor analysis aims to define the set of actors that are involved in problem solving, to define each actor's role and to identify which type of actor it is. Actor analysis can be performed in various forms. Of these, we will give closer attention to 'research actor analysis' and 'quick actor analysis'.

13.1.1. Research actor analysis

In research actor analysis, we can proceed according to the following steps (see the below figure).

As the first step, we **judge the given problem in detail.** We clarify the purpose of the analysis, the time frame in which the analysis is to be performed, the spatial scope of the analysis and its overall context. As the next step, we decide **who will carry out the analysis.** Actor analysis can be performed by an individual or by a team. The advantage of an individual carrying out the analysis is that its data is relatively consistent. The disadvantage is that an analysis by an individual increases the risk of subjectivity. While an analysis that is performed by a research team substantially eliminates the risk of subjectivity, it makes great demands on organisation by the party that solves the problem.

Fig. 47: The methodological procedure in research actor analysis



Source: The authors

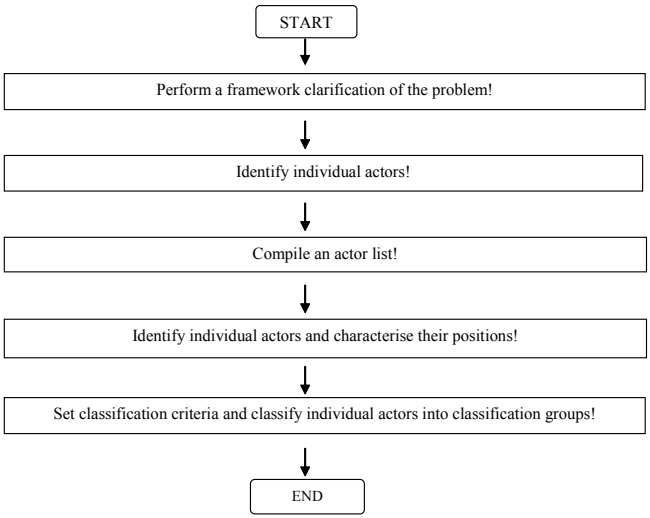
As the next step, we compile a **preliminary actor list.** For drawing up the preliminary actor list, we can use the method of interviews, where at the end of the interview with actors that have been identified in advance we ask them who else they would recommend to be included in the list as another actor.

Another possible form in which a preliminary actor list can be made is to ask experts (in interviews or in the form of written inquiries) who they consider to be the main actors within the given problem. The information can be summarised to provide a preliminary actor list including the actors' positions. In order to identify an actor's position, we define some reference attributes that are selected in a way to allow us to classify the given actors according to their shared attributes. Reference attributes divide actors into two basic groups, namely into positive and negative actors. We characterise each actor according to attributes that have been selected in advance, such as the given actor's attitude to the given topic (a positive actor – a negative actor), power share, status role. Based on the identified reference attributes, we then classify actors into the given classification groups. In graphic form, we can use a matrix representation, position schemes or networks.

13.1.2. Quick actor analysis

The second form of actor analysis is the 'quick form' of actor analysis. This is used especially if the given problem has occurred unexpectedly and needs to be addressed without delay. When using quick problem analysis, the procedure can be as follows (see the below figure).

Fig. 48: The methodological procedure in quick actor analysis



Source: The authors

As the first step, we perform a **framework definition of the problem.** We clarify its subject-matter and define the analytical objectives that we want to accomplish. Once the analytical objectives have been clarified, we carry out **the identification**

of individual actors. To identify actors, we can use for example a brainstorming discussion, on whose basis the individual actors are identified. According to adopted criteria, we classify individual actors into groups. Again, we get an actor classification into positive and negative actor groups. At the same time, we characterise some actors – that have been selected in advance – according to some additional attributes, such as whether an actor is part of a certain organisational unit, the strength of its influence on problem solving etc.

Once the actors have been classified into groups (classification types), the individual actors that have been classified in the above manner can then be characterised in greater detail within the given group according to various quantification instruments (e.g. scales) and described in the form of matrices. An example is shown in the following table.

Tab. 42: Matrix actor evaluation

Actor type (actor group)	Identified actors in a given group (names, institutions etc.)	Characteristics of indiv. actors according to reference attributes		
		Reference attribute R1	Reference attribute R2	Reference attribute R_n
Positive actors	K_1			
	K_2			
	Kn			
Negative actors	Z_1			
	Z_2			
	Z_n			

Source: The authors

The classification as positive and negative actors is indicative of the actor's attitude to problem solving. The attitude can be identified in more detail using some reference attributes, such as the actor's influence on problem solving, where the intensity of such influence can be measured on a scale (e.g. from –5 to +5). The resultant classification of an actor into a prepared matrix and the empirical information about its position provide valuable information about individual actors and allow for the adoption of an adequate problem solving strategy.

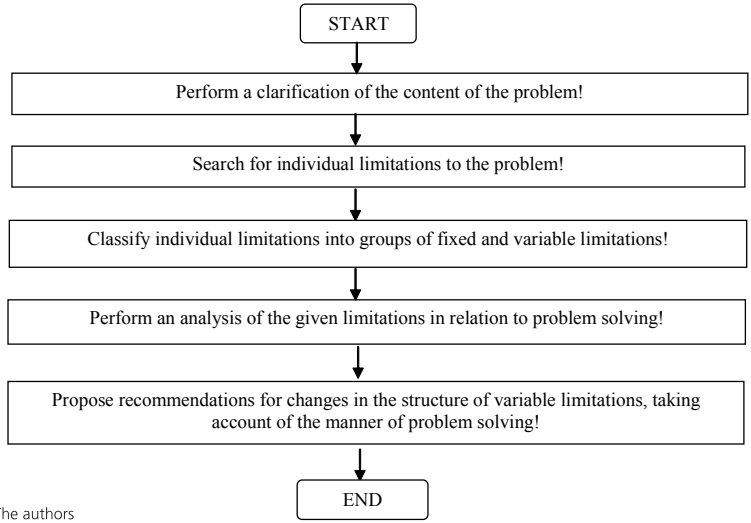
13.2. Analysing the framework limitations to problem solving

The basis of analysing the framework limitations to problem solving consists in defining the boundaries (limits) for problem solving. Basically, there are two types of such framework limitations, namely limitations that are fixed and limitations that are variable. Fixed limitations include those limitations that cannot be changed – ceteris paribus – within the given time. These are limits that are prescribed by law, guidelines, regulations etc. Fixed limitations also include available resources (human, material, financial), that can be used over the given problem solving period. Fixed limitations are unchangeable within the given problem-solving time period.

Besides such strictly defined framework limitations to the problem of boundaries, there are also factors whose character is – form the perspective of the problem solving process – variable in time. These include for example problem solving frameworks that arise as a result of the allies existing at the given time, the readiness

of the staff to solve problems. In this case we assume that we can win additional allies for problem solving and that the staff can be trained within a relatively short time span etc. When analysing the framework limitations to the problem, we can proceed as follows (see the below figure).

Fig. 49: The methodological procedure in analysing the framework limitations to problem solving



Source: The authors

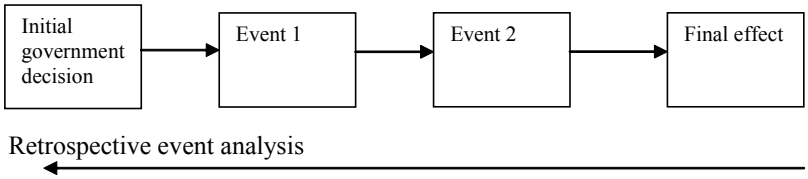
As the first step, we perform **a content-related clarification of the problem,** especially the clarification of the problem's subject-matter. As the next step, we identify the individual limitations that form the limit framework for problem solving. These limitations are then divided into two groups, namely **fixed limitations** and **variable limitations.** Fixed limitations are such limitations that we 'can do nothing about for the time being'. These are limitations that exist outside the scope of our possibilities for changing them. The second group consists of variable frameworks for solution. These are limitations which we can change within the problem solving time frame. **The output of framework problem analysis** is a document providing a detailed overview of individual framework factors that affect problem solving. Based on the document, we propose alternatives of problem solutions with corresponding strategies and procedures.

13.3. Event analysis

Event analysis is another method for examining and defining problems. Under the conditions existing in the Czech Republic, the method was developed by M. Purkrábek in the mid-1990s.[23] This is ex-post event analysis, in which we examine individual events while taking account of the set objective. The essence of the problem can be depicted in graphic form as follows (see the below figure):

23 See the project entitled "The Analysis of the Process of Public Policy Formation and Implementation in the Czech Republic (1994 – 1996)" and the project entitled "The Analysis of Decision-Making, Financial and Communication Processes in Public Policy (1997 – 1999)".

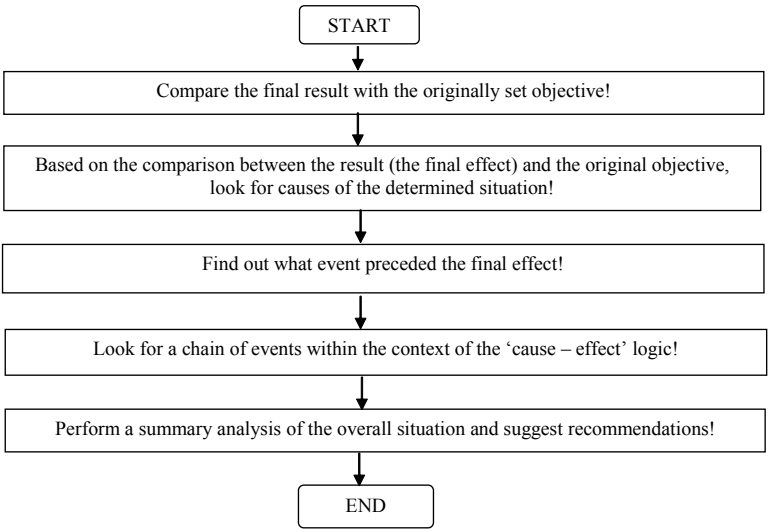
Fig. 50: The problem as a whole (e.g. the 'Internet to Schools' project)



Source: The authors

It is obvious that event analysis is a type of ex-post analysis – we proceed from the final result (final effect) back to the individual events until we reach the initial government decision (objective). We compare the final result to the original objective and evaluate problem solving effectiveness (the effectiveness of the policy). A possible application procedure in event analysis is shown in the following figure.

Fig. 51: The methodological procedure in event analysis



Source: The authors

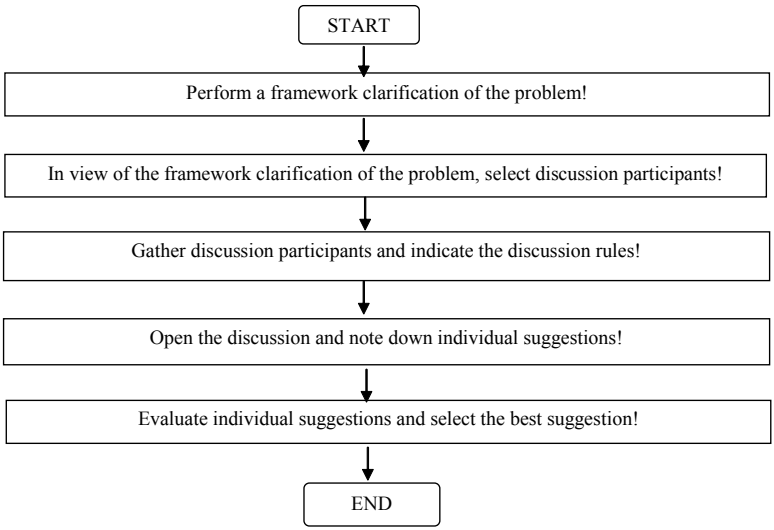
As the first step, we find out what the final result of the original decision is – for this purpose, we compare the actual situation with the expected (target) situation. Understandably, the expected situation can differ from the situation that has been achieved in reality. In the case of both compliance and non-compliance of the final effect with the target situation, we seek to answer the question how successfully the initial decision (the initial government plan) has been accomplished. The key to the answer lies in discovering and analysing the cause-effect chain. In the analysis we examine the causes of the given event, the conditions under which it arose and its effects on further problem solving. In fact, this is a backward reconstruction of events from the perspective of the cause – effect logic, with us following the logical chain until we get to the original government decision. Within the individual steps, we monitor the effects of the given step on problem solving. We synthesise

the results of the analysis into a final report, i.e. an evaluation document that informs about the successful (unsuccessful) implementation of the given government programme. The results of the evaluation then serve as an information source for identifying the individual factors' influence on problem solving, analysing decision-making in problem solving, evaluating the effectiveness of the use of individual problem solving instruments, understanding the causality and the genesis of the examined problem, shedding light on the roles of individual actors and individual events, as well as for overall problem solving. All the above is useful information that can be used when solving analogous cases.

13.4. Brainstorming

A significant method of problem analysis and definition is brainstorming. The principles of its use were first formulated by A. Osborn in the 1930s. The essence of brainstorming lies in collectively generating ideas and in searching for the best solution. We can proceed according to the following steps (see the below figure).

Fig. 52: The methodological procedure in using brainstorming



Source: The authors

As the first step we clarify the essence of the problem that is to be subjected to brainstorming discussion. Based on the clarification we select and approach discussion participants. It is said that the optimum number is 6 – 12 discussion participants. Once the discussion participants have been convened, the discussion leader starts by introducing the brainstorming discussion rules. These include the rule of not allowing criticism, the rule of presenting any opinion, the rule of mutual inspiration, the rule of unlimited number of suggested solutions and the rule of equality among participants.

The rule of allowing no criticism should in the first place ensure that those who present extreme suggestions that would otherwise provoke criticism are not excluded

from the discussion. In this way, a seemingly absurd idea can also be presented that often proves to be the most beneficial, i.e. either on its own or through encouraging further discussion. The rule of unlimited number of suggested solutions (sometimes also called the quantity rule) ensures that no discussion participant is limited by a finite number of suggestions they can present. Within the discussion, all participants are equal. In practice, this sometimes tends to be a problem (especially at 'power' ministries where there is not only functional, but also rank subordination). Therefore, it is advisable that at the beginning of the discussion, as part of setting its rules, the content of this rule should be highlighted.

The discussion moderator then establishes the issue, which has different solution alternatives. The discussion participants can get acquainted with the problem in advance. In that case, the individual participants have a chance to give the problem some thought. The disadvantage is that they come to the discussion preoccupied with a certain fixed solution. They should not be acquainted with the documentation of the problem to prevent the discussion from turning into the presentation of official opinions.

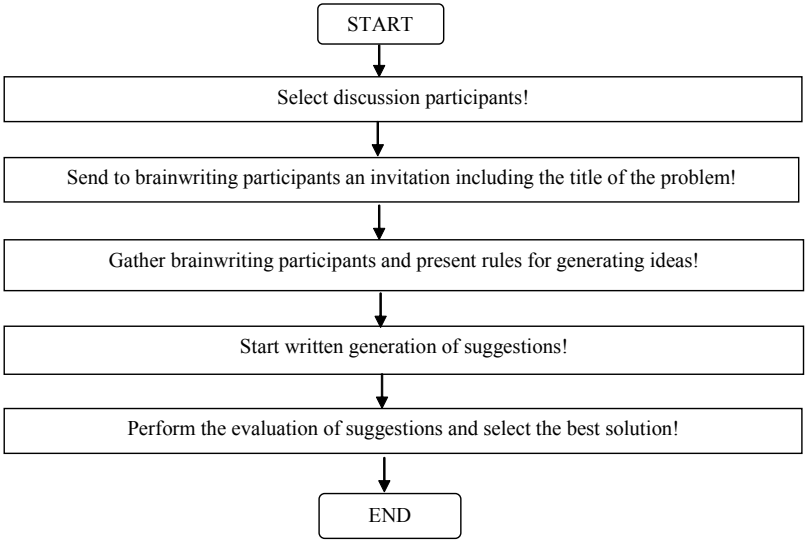
The discussion is held at a round table, i.e. in a semi-circle with the moderator noting the individual ideas down on a portable flip-chart. The discussion as such continues for 20 to 30 minutes. It can also be used at meetings when we need to define the possible solution alternatives.

All suggestions and ideas are noted down on a mobile whiteboard and, subsequently, the suggestions are evaluated. We do not start evaluation until several days from the time the discussion was ended. Evaluation forms may vary. One consists in the individual suggestions being grouped together according to similarity of solutions. We evaluate the strengths and weaknesses of each problem and select those ideas that will be further discussed. Another form is the collective way of evaluating ideas. A certain number of points is available to each evaluator, who assigns the points to generated suggestions according to his or her preferences. This way, the suggestions are ranked according to assigned points. The best-rated suggestion is then used for problem solving.

13.5. Brainwriting

The written equivalent of brainstorming is brainwriting. There are various modifications of the brainwriting method. When using brainwriting, we can proceed according to the following steps (see the below figure).

Fig. 53: The methodological procedure in using brainwriting



Source: The authors

As the first step, we select brainwriting participants and – as opposed to brainstorming – familiarise them with the specification of the problem in advance. As the next step, we start both the session of brainwriting participants and problem solving. The moderator explains the essence of the problem that is to be addressed and familiarises the participants with the principles of work. One of the principles is that, while commenting on the problem, brainwriting participants may not verbally communicate with each other. A strict limit of several minutes is set for presenting written comments on other opinions. The evaluation of suggestions is performed by the moderator. From the organisational perspective, the procedure is that a prewritten form is distributed to the participants (see the following table).

Tab. 43: Brainwriting form

Problem formulation						
	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6
Solution 1						
Solution 2						
Solution 3						

Source: The authors

In the first round, the participants are asked to write suggested solutions below in the first column of the form. Each brainwriting participant has approximately three minutes to write down suggestions. Then, each participant hands over his or her form to the neighbour on the left, whereby each participant also receives a form from the neighbour sitting by his or her right side. Each brainwriting participant

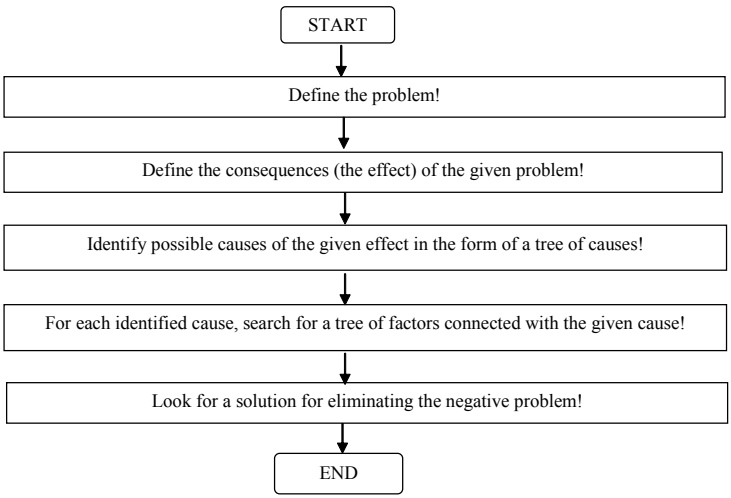
reads the neighbour's suggestions and adds his or her comments and ideas in the form of notes written one under the other in a column. There does not have to be a logical link between the ideas. However, there is the principle that where a suggestion is being criticised, a positive suggested solution must follow. Once the first round is finished, the second round continues in a similar way, the only difference being that the time for addressing the problem is gradually increased to approximately 5 minutes.

After brainwriting in which six participants were involved is finished, a total of 108 suggestions have been obtained.[24] This makes it a comparatively highly effective method for generating new ideas. In this way, the party that had commissioned brainstorming obtains a data bank of problem solutions and, through selection, separates feasible alternatives from unrealistic ones and selects the best alternative.

13.6. The 'why-why' diagram

Another method that can be used for problem analysis and definition is the 'why-why' method. The method is based on the logic of causal analysis, where the effect results from a certain cause and the cause – effect relationship occurs under certain conditions and factors. The objective of the analysis is to seek the causes that bring about a certain phenomenon, to unveil the factors, the conditions and the prerequisites under which it occurs and, based on their knowledge, work towards the elimination of the negative phenomenon. From the perspective of the basic methodological steps we can proceed as follows (see the below figure):

Fig. 54: The methodological procedure in using the 'why-why' diagram



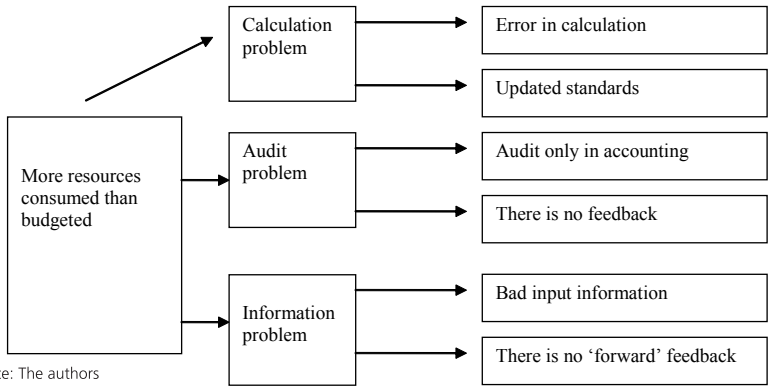
Source: The authors

The first step of 'why-why' analysis is defining the problem. This is understood as a certain (as a rule negative) effect that is harmful and that is desirable to be eliminated. From the perspective of the causal-relationship logic, the given effect results from a certain cause that needs to be identified. As reality is a dynamic system, the

24 Each form contains 6 * 3 solutions. There are a total of 6 forms

explanation of the given effect is also based on searching for the probable factors that cause the negative phenomenon. We arrange the probable factors in the form of a tree of factors that can probably cause the given negative phenomenon. We branch the tree down to an adequate level of detail so that we can uncover lower-order factors, conditions and causes that bring about the original negative phenomenon. We then search for a solution for eliminating the negative phenomenon. The given problem can be illustrated with the following example, as shown in the below figure.

Fig. 55: Solving the problem of excessive resource consumption using the 'why-why' diagram



Source: The authors

Let us demonstrate the problem in question using the example of one of the budget chapters of the state budget. The administrator of the budget chapter faces the recurring problem of excessive consumption of resources as compared to the originally budgeted amount. As a result, a number of budgetary measures have to be implemented, which leads to additional costs. In order to solve the problem, the budget chapter administrator commissions the economic manager to carry out an analysis of the existing situation. At a meeting, the economic manager commissioned the director of the Department of Budget to carry out an analysis of the existing situation and provide suggestions for improvement. Economic analysts used the 'why-why' diagram to judge the given situation and they prepared an overview of everything that can cause excessive resource consumption in comparison to the budget. They identified three basic areas of problems, namely the area of resource calculation, the area of verification and the area of information.[25] Generally, it holds true that identified problem areas should cover all possible basic factors that can cause the given problem.

In the calculation area, two basic factors were identified that can cause excessive resource consumption. The first possibility consisting in calculation error was not confirmed. However, as it turned out, calculation standards are prepared but they are not updated for every fiscal year. The first cause leading to the increase in resources compared to the original budget was found.[26]

25 In reality, the identified circle of problems was wider. However, the presented scope is adequate for illustrating the ‚why-why' diagram.

26 It was discovered – among other things – that the envisaged increase in price level had not been correctly included in calculation standards.

While no shortcomings were discovered in the area of accounting audit, there is only a formal audit system within the Ministry (namely accounting and documentation audit). There is no feedback based on result audit. Therefore, there also is no ex ante, continual or ex post audit. Using random sampling and backward audit review of some expenditure activities, it turned out that there is no result audit system in the department. Budgetary resources are consumed without the purpose of their use being verified. The analytical group therefore recommends introducing double-entry bookkeeping along with a performance and result audit system as part of an allocation system for budgetary resource management.

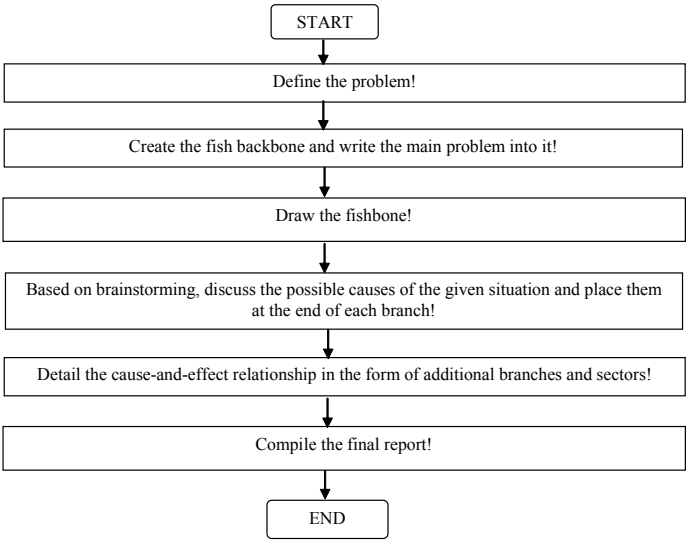
While auditing the information system, it was revealed that correct information was not always used at the input into the system owing to the failure to update calculation standards. It was discovered that the information system was based on simple feedback that only provided information about allocation activities once they were implemented, with a two-month delay. From the managerial perspective, such information is almost completely worthless as it does not allow for the correction of resources that are disbursed with little purpose. Therefore, the analysts recommended designing an information system on the principle of 'forward' feedback.

In conclusion of the above case, it should be noted that the analysis of the existing situation, including the definition of the causes and factors of the problem at hand, was drawn up in the form of a document that also included the graphical visualisation in the form of a 'why-why' diagram. In practice, it is the graphical visualisation of a problem that often proves to be the adequate tool allowing top management to objectively discuss the given problem.

13.7. The Ishikawa diagram

Another possible tool that can be used to search for ways to solve problems is the Ishikawa diagram, which is also known as the fishbone diagram or the cause-and-effect diagram. By means of the Ishikawa diagram, we analyse in a graphical way the causes and the effects of a certain situation and look for the starting points for solution. Similarly to the 'why-why' diagram, the Ishikawa diagram is also based on revealing the cause-effect causality. However, the difference is that – as opposed to the problem tree shown in the 'why-why' diagram – its structure is simpler. The central problem (i.e. the effect of partial problems) is captured in the fish backbone. From the fish backbone stem the individual branches (bones) that represent the possible causes of the problem and the areas that have (both positive and negative) effect on the given problem. These problems are then decomposed into more specific problems that particularise the more general problem stemming from the 'fish backbone'. The Ishikawa diagram is created as a result of either group brainstorming activity or an analysis carried out by an individual. The diagram is also suitable for organising large amounts of information from other brainstorming sessions that had already taken place. Experience shows that it is advisable for the Ishikawa diagram to be put together based on team work. When using the Ishikawa diagram, we can proceed as follows (see the below figure).

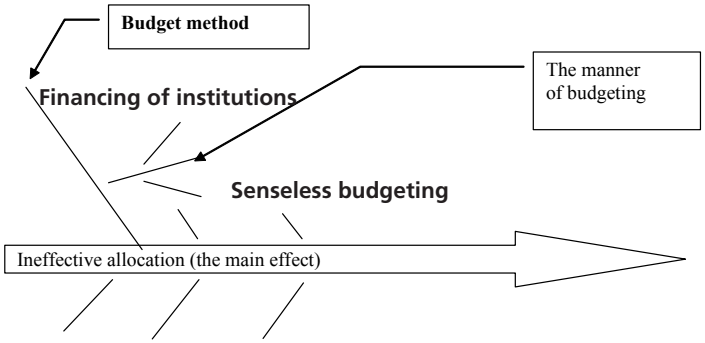
Fig. 56: The methodological procedure in using the Ishikawa diagram



Source: The authors

The first step is defining the main problem. This is then written into the fish backbone. Then, based on a brainstorming discussion, we discuss the possible causes of the existing situation. We aggregate the outcomes of the discussion into main bones that stem from the fish backbone. These main bones identify the possible areas ('sources') of the problem. On each branch (and subsequently also little bone) we then identify the partial problems, i.e. the factors and the causes that affect (both positively and negatively) the identified problem on the given branch. The skeleton of fish backbone thus makes it possible to graphically depict the logic of the causes and effects that are connected with the main problem. The result of an analysis that was performed on the basis of the Ishikawa diagram, along with the commentary, then serves as information for subsequent managerial decision-making. Let us illustrate the use of the fish backbone diagram with a specific case. Let us assume that the monitored problem is the issue of ineffective allocation of public resources (see the following figure).

Fig. 57: Public resource wasting depicted in the form of the Ishikawa diagram



Source: The authors

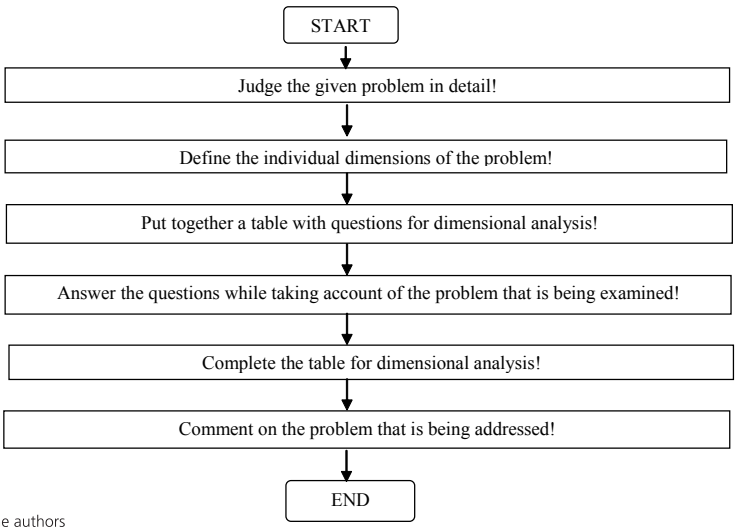
The ineffective allocation of resources is identified as the main problem. As we need to explain the given situation, we follow the causal-relationship logic. The budget method area was identified as the first area of causes. This contentious issue is pinned down by one of the main fish bones that stem from the fish backbone at an angle of 45 degrees.[27] Brainstorming discussion identified the budgeting manner as one of the possible problems. The budgeting manner is connected with the such 'sub-problems' as the financing of institutions and senseless financing, where the resources are only budgeted based on the criterion of the given institution's existence, without performing an ex ante audit (based on defining budget objectives and on carrying out a cost benefit analysis) as a starting point for allocating resources.

We follow a similar procedure while examining other identified areas, causes and effects that are connected with the key problem of the ineffective allocation of resources. The resultant fishbone diagram including the commentary (the final report) is made available to the top management as a basis for changing the existing situation.

13.8. Dimensional analysis

The dimensional analysis method is a heuristic method. The creator of the method is J. V. Jensen (1978). The substance of the method lies in drawing up a list of questions whose answers are supposed to lead to the initial examination of the problem. When using the method, we can proceed according to the following steps (see the below figure).

Fig. 58: The methodological procedure in using dimensional analysis



Source: The authors

As the first step, we judge the given problem in detail. Above all, we clarify its subject-matter. While taking into account the initial clarification of the problem, we define the individual aspects, from which the problem will be analysed in greater detail. In this respect, J. V. Jensen mentions the subject, the spatial, the time, the quantitative and the qualitative dimensions. As the next step, we put together a

27 As other areas we could identify the audit, the managerial, the information and the accounting systems etc. In the diagram, we will disregard these other areas.

table with questions for carrying out dimensional analysis. The table can have the following form (see the below table).

Tab. 44: Dimensional analysis

Dimension	Criterial question	Questions for problem analysis within the given dimension	Answers to questions asked
Subject	What?	What is going wrong? What does not work? What cannot be implemented?	
Spatial	Where?	Where is the problem taking place?	
Time	When?	When did (does) the problem occur?	
Quantitative	How many? How big? How many parts? Etc.	How many causes does the problem have? How big are its impacts? How many parts does the problem consist of?	
Qualitative	What is...?	What is the nature of the problem? What is the quality of the given property?	
Etc.	...	...	...

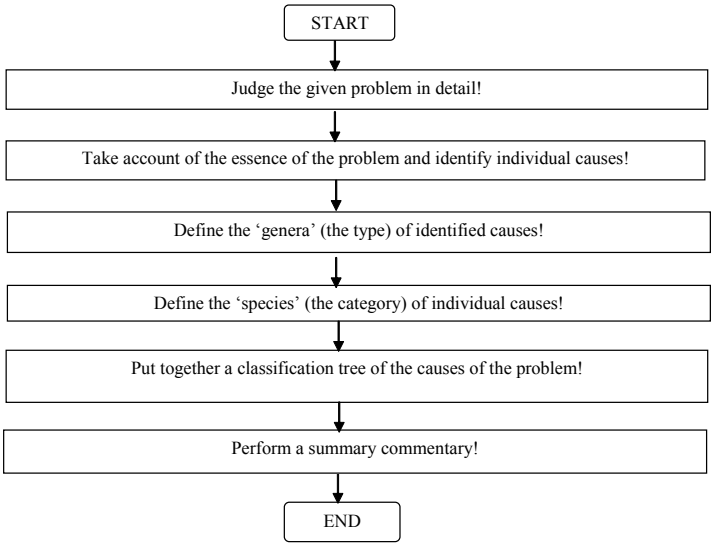
Source: The authors

The key-stone of creating a dimensional analysis table is that the defined dimensions should comprehensively cover the given problem. This can be ensured especially if we set the objectives of analysis when we initially consider the problem in detail. We then use these objectives to derive the individual dimensions of the problem and the criterial questions to which we seek answers. We decompose the criterial questions into more-specific questions. These then represent the path to answering the question what the nature of the problem is.

13.9. Hierarchical analysis

Hierarchical analysis is a method that can be used for the logical organisation (classification) of causes. The purpose of such analysis is thus to present a possible inventory of causes that bring about the given problem. By classifying the causes under certain types and classes, it possible – taking into account their nature – to partly or fully anticipate and eliminate certain risks attached. Obviously, hierarchical analysis reminds of 'why-why' analysis, the difference being that hierarchical analysis only focuses on categorising and specifying possible causes, and not on clarifying the cause-and-effect logic, as is the case in 'why-why' type analysis. The methodological procedure in using the hierarchical analysis method is shown in the following figure.

Fig. 59: The methodological procedure in hierarchical analysis



Source: The authors

Let us demonstrate the use of the hierarchical analysis method with the problem of "the risk of the Czech Republic's security being threatened". Taking into account the material substance of the problem, we define the possible risks that the Czech Republic will be threatened. Let us assume that several dozens of possible risks of threats to the Czech Republic's safety were defined, of which we mention for example the risk of external invasion by country X, the risk of a terrorist attack and – as regards internal risks – the risk of a nuclear power plant disaster and the risk of state destabilisation due to mounting social and political tensions. On the basis of a detailed list of risks threatening the country's safety, we can proceed to incorporating the risks and creating a classification tree.

The corner stone of classification lies in incorporating individual risks under general classes that are called 'genera'. Within the classification, these are also the equivalent of the term 'types' (of risks, causes). In our case, we can for example draw a distinction between the 'external-risk type' and the 'internal-risk type' of threats to the country. Within each type, we can then distinguish between the individual 'categories of individual risks'. A possible example is shown in the following hierarchical risk analysis (see the below table).

Tab. 45: Hierarchical risk analysis (a dichotomous classification criterion)

Type of risk	Categories of risk	The given case of risk
External	Military	Invasion of the Czech Republic by country X
	Non-military	A terrorist attack by foreign agents against target Y
Internal	Natural	The flooding of area A due to a natural disaster.
	Ecological	An accident at chemical plant Z.
	political	*Destabilisation of the state and mounting unrest due to phenomenon P.*
	…	…

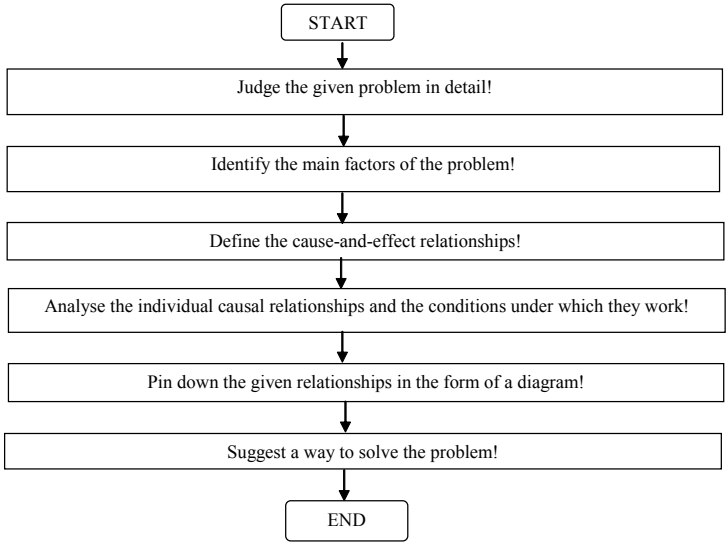
Source: The authors

The result of the hierarchical analysis of risks is their clear classification in the form of external and internal risks (the type of risk) with a subsequent classification of the given risk under the relevant category. Such classification allows for more effective risk management, while taking account of the competencies of the individual state administration bodies.

13.10. Problem explanation and its depiction in the causal analysis diagram

Problem analysis requires its explanation. For that purpose we use the method of explanation. The content of explanation is the explanation of certain links and dependencies. Problem explanation depends on the type of the links between the explained and the explaining phenomena. The type of link can be for example causal, functional, theological etc. The most common type of link is the causal link. The core of causal explanation lies in explaining the question: Why did the given problem occur? For example, we ask: Why has unemployment in the region risen? For causal explanation of problems, we can use the so-called **causal analysis diagram.** With respect to methodology, we can proceed as follows (see the below figure):

Fig. 60: The methodological approach in using the causal loop



Source: The authors

As the first step, we judge the given problem in detail – above all, we clarify its subject-matter. Such clarification then makes it possible to identify the main factors causing the given problem. As the next step, we look for a cause-and-effect relationship between these factors. For that purpose, we can use the table of effects of 'causes and effects' (see the following table).

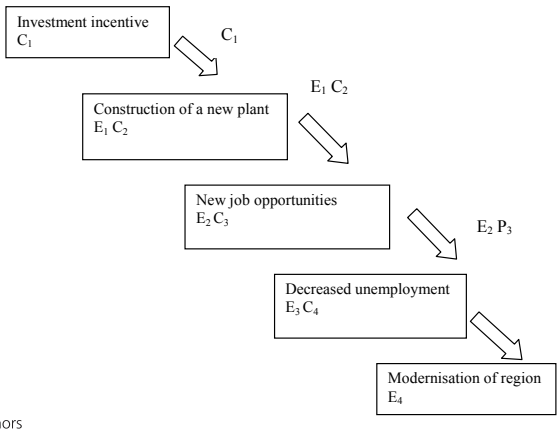
Tab. 46: The cause-and-effect relationship

Cause	Cause-and-effect relationship	Effect
The demand for the modernisation of the region and an investment incentive for modern technologies	>	The construction of a new modern plant
A new modern plant	>	New job opportunities
New job opportunities	>	A decrease in the unemployment in the region
A decrease in the unemployment in the region	>	The region that was originally lagging behind levels with other developed regions (modernisation of the region)

Source: The authors

As the next step we determine the character of the cause-and-effect relationship and create the cause-and-effect diagram (see the below figure).

Fig. 61: The cause-and-effect diagram



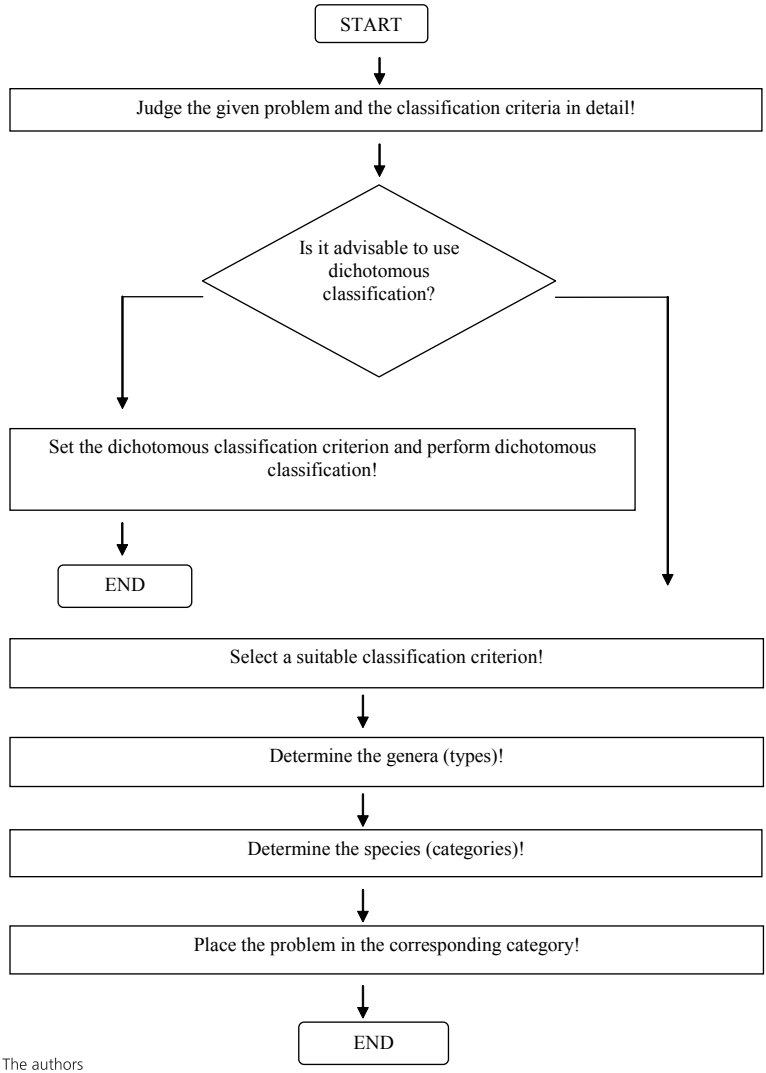
Source: The authors

The investment incentive plays the role of cause C1 that leads to the construction of a new plant (effect E1). The new plant (now functioning as C2) leads to new job opportunities (effect E2). New job opportunities (in the role of C3) bring about a decrease in unemployment (effect E3). Decrease in unemployment is the determining factor in the region's modernisation (final effect E4).

13.11. Classification analysis

When analysing and defining a problem, we often face the question how to classify the given problem. For that purpose, we can use the method of classification. Classification is understood as placing the examined problem within certain classes, i.e. in view of the problem's defined features. When using classification analysis, we can proceed as follows (see the below figure):

Fig. 62: The methodical procedure in using classification analysis



Source: The authors

As the first step, we judge the given problem in detail. In view of its content, we consider what classification criteria would be suitable for defining the problem. When determining the suitability of the criteria, we consider both the subject-matter of the problem and the problem analysis that will follow after classification analysis. If it is advisable to use dichotomous classification, we select an adequate dichotomous criterion. An example of dichotomous classification is shown in the following table.

Tab. 47: Examples of dichotomous classification

Criterion	Classification into dichotomous classes	
Fairness	Fair	Unfair
Reliability	Reliable	Unreliable
Achievement of prescribed performance	Performing	Underperforming

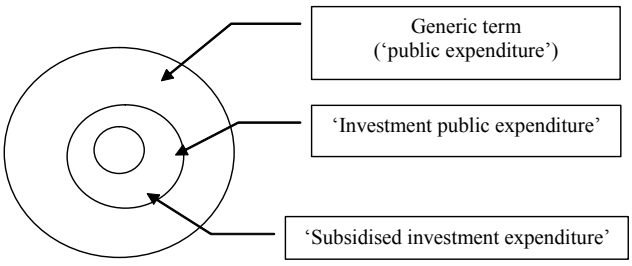
Source: The authors

Obviously, the dichotomous classification criterion is based on the application of the law of the excluded middle. It thereby divides the problem into two mutually exclusive classes (disjoint sets). The advantage of such classification is that you can unequivocally say whether the given criterion is fulfilled or not. A dichotomous criterion can be of both qualitative (fairness) and quantitative nature (the achievement of prescribed performance).

In the event that dichotomous classification is not suitable, we opt for a different classification. Most often, we use classification into genera and species. First, we determine the genus. The 'genus' is a term whose extension includes all phenomena that meet the features of the given generic term. Let us assume that the generic term is 'public expenditure'. Then, in accordance with the above, the term 'public expenditure' includes all phenomena that fulfil the features of 'public expenditure'. In order to be able to classify these phenomena in greater detail ('in order to be well informed about them and to become familiar with them'), we divide the given phenomena that fulfil the features of the term 'public expenditure' into specific classes. Such a specific class is for example the term 'investment public expenditure'.

In relation to the term 'public expenditure', the term 'investment public expenditure' is a specific term. However, if it is useful, we perform further, more detailed classification, namely by setting the term 'investment public expenditure' as the closest generic term in relation to individual investment public expenditure species, such as 'subsidised investment expenditure' and 'unsubsidised investment expenditure'. The essence of the problem is shown in the following figure.

Fig. 63: The relationship between a generic and a specific term



Source: The authors

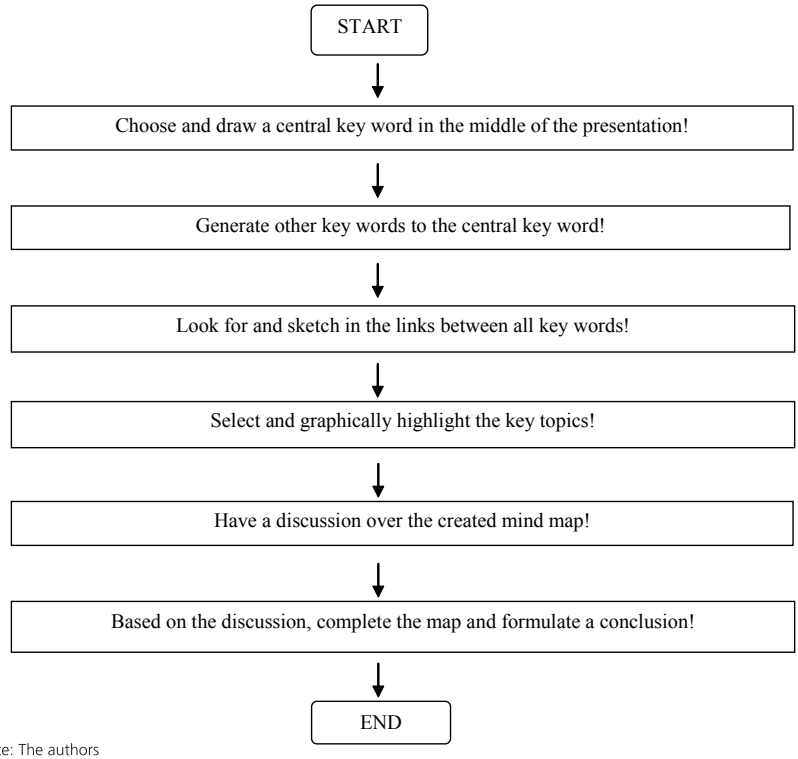
If we then perform the classification of the problem, we look for its closest generic term and –in relation to such a term – we define the specific features in which it differs from other species. We use the so-called definition by genus and species, i.e.: 'Investment expenditure is such a species of expenditure …' – as we can see,

we have determined the closest generic term, which is 'public expenditure' – '… that has the following features…', through which we define the differences of this species of public expenditure from other species of public expenditure (e.g. current expenditure). Such classification is valuable in particular because it classifies the given problem within the 'classification tree' and, by extension, allows for an exact definition of the problem through genus and species and, at the same time, for the differentiation of the given problem from similar problems (its specification). Such classification can be used especially in creating documents (laws, regulations, guidelines), where it is necessary to exactly define the terms used.

13.12. Mind maps

Mind (cognitive) maps represent another effective tool for analysing problems in public administration, especially at the stage of considering the problem in detail. Mind maps are a method where, based on rational deliberation and association, we think about what it is we know about the problem and what relationships are between the analysed parts. The result is a graphical, structured depiction of the analysed problem's connections affecting the problem's key words and the relationships between them. When using mind maps, we can proceed according to the following steps (see the below figure).

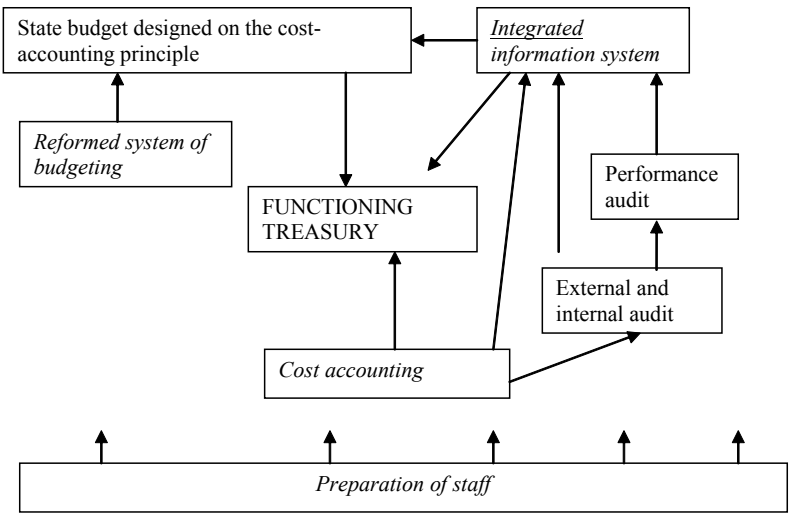
Fig. 64: The methodological procedure in using a mind map



Source: The authors

As the first step, we define the central problem that is to be addressed. In the form of a key word, we place it in the centre of the flipchart or possibly a sheet of paper, so that we can sketch in additional key words and their links. Then, we start group discussion. On its basis, we sketch in additional key words to the central key word. These are key words that map the scope of the problem. At the same time, we look for links between individual key words and sketch them into the mind map. The result is a graphical, structured image of the examined problem. From the image, we subsequently select the key topics and highlight them in a graphical way (e.g. using a different type of writing). Once the image is enhanced in this way, we have another discussion, asking whether further enhancement is necessary. At the conclusion we can use the complete map to derive the subject, structural and functional content of the problem and to suggest ways of solving it. Let us use a mind map for addressing 'the treasury project' problem, to show how it was advisable for the project to be designed at the state administration level (see the following figure).

Fig. 65: The use of a mind map – the 'treasury project' example



Source: The authors

Obviously, the central key word here is the term 'treasury'[28]. The arrows in the chart represent (causal) dependence.[29] Written symbols can be added to these to identify the respective dependence. The key prerequisite to implementing changes is duly trained staff. Of the identified terms, the key place belongs to the terms 'reformed system of budgeting', 'cost accounting', 'integrated information system' and 'preparation of staff'. Therefore, the problem of 'cost accounting' is the key issue, as the project's objective is to provide updated cost-accounting (i.e. economic) information about all movements in state budget accounts, both as a whole and within their individual chapters. The purpose is to obtain information about how economically rationally were the budget resources used. The reason why the reformed system of budgeting is a key issue lies in the fact that – figuratively speaking – even sen-

28 In reality, the treasury project is (at the time this text is being written) designed completely differently, i.e. it is purely formally accounting-oriented. It is not linked to the above systemic changes in budgeting.

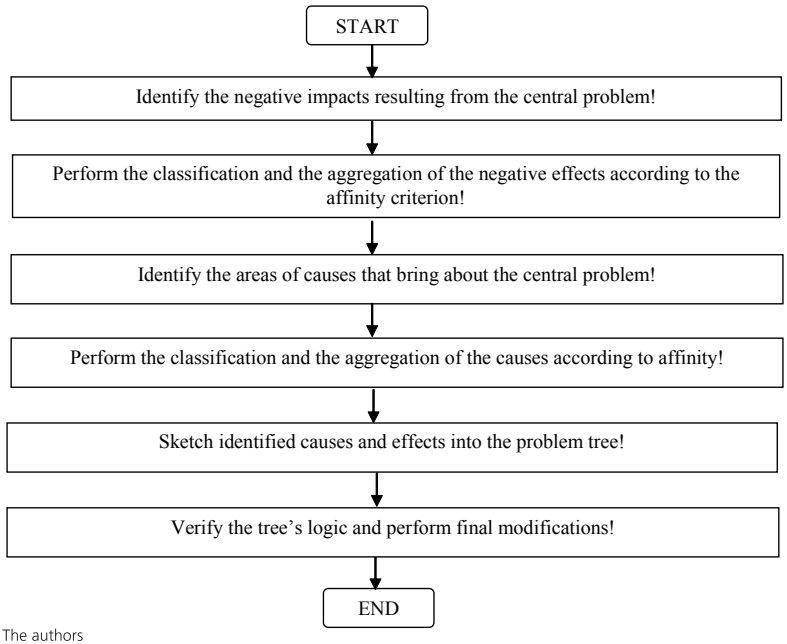
29 To these, characters are sometimes added identifying the type of dependence of both elements (e.g. + meaning direct dependence, - for indirect dependence).

seless activities can be entered into the books in a formally correct way. Therefore, it is necessary to implement such systemic changes in budgeting that are based on the criterion of economic rationality of budgetary activities – the essence of such economic rationality being economic information about why the budgeted resources should be disbursed, what economic effect is expected from disbursed costs and what economic effect was actually achieved after the disbursement of the resources. The integrated information system provides continual information about all current movements, it provides comprehensive information about all planned, continually implemented as well as completed budgetary activities, i.e. both from the perspective of formal reporting and, in particular, from the perspective of the cost-benefit use of budgetary resources. Such information can then become a supporting material for managerial decision-making at the government level and the level of the administrators of individual state budget chapters.

13.13. The problem tree

The problem tree is a universal method for identifying, prioritising and visualising problems. Its essence lies in depicting the factors that cause the given problem in the form of a tree (diagram) of causes and effects. When using the problem tree, we can methodologically proceed as follows (see the below figure).

Fig. 66: The methodological procedure in using the problem tree

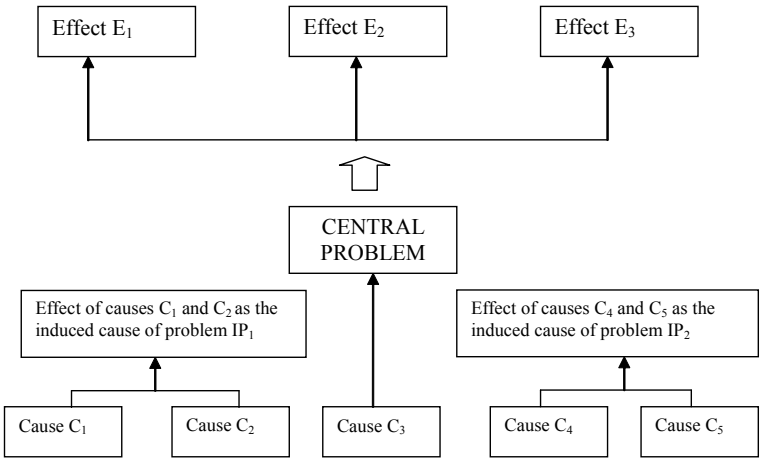


Source: The authors

Obviously, the problem tree is based on using the idea of causality, where – under given conditions – a cause brings about a certain effect. The effects are the effects of a certain central problem. In order to be able to address the given problem,

we need to know the factors causing the problem. We proceed as follows: first, we identify the effects that are symptomatic of the central problem. Once they have been identified, we consider the ways in which these effects can be classified according to the affinity and generality criteria. We create a graphic depiction of this part of the tree, with the branches being the effects of the problem and the trunk representing the main problem. Then, analogically, we identify the causes and group them – also according to the affinity and generality criteria. The causes correspond to the tree's roots. The resultant graphical example of such analysis is shown in the following figure.

Fig. 68: The problem tree diagram



Source: The authors

It is advisable that the problem tree diagram should be used as part of participation planning procedures. It is therefore suitable for use at all levels of public administration. The problem tree diagram simplifies the reality that is being examined, which is surely a weakness of applying this method. On the other hand, the advantage of using the method lies in the fact that it identifies the key effects of the problem and their causes. The purpose of the problem tree is not to create an exact model of the given relationships, but rather to perform the initial identification of both the effects and the factors causing them. This allows for subsequently taking relevant problem solving decisions.

Conclusion

A number of methods can be used for the effective exercise of public administration. In addition to quantitative methods, which have been introduced in preceding chapters we can also use qualitative methods, based on which we can analyse and solve problems that lead to the promotion of the effective exercise of public administration. It is up to the relevant public administration actor which method (in view of the essence of the problem) he or she chooses. However, it holds true at all times that the given methods are tools that facilitate decision-making, while using these methods is supposed to help the given public administration actors to make the decision-making process easier and 'objective'.

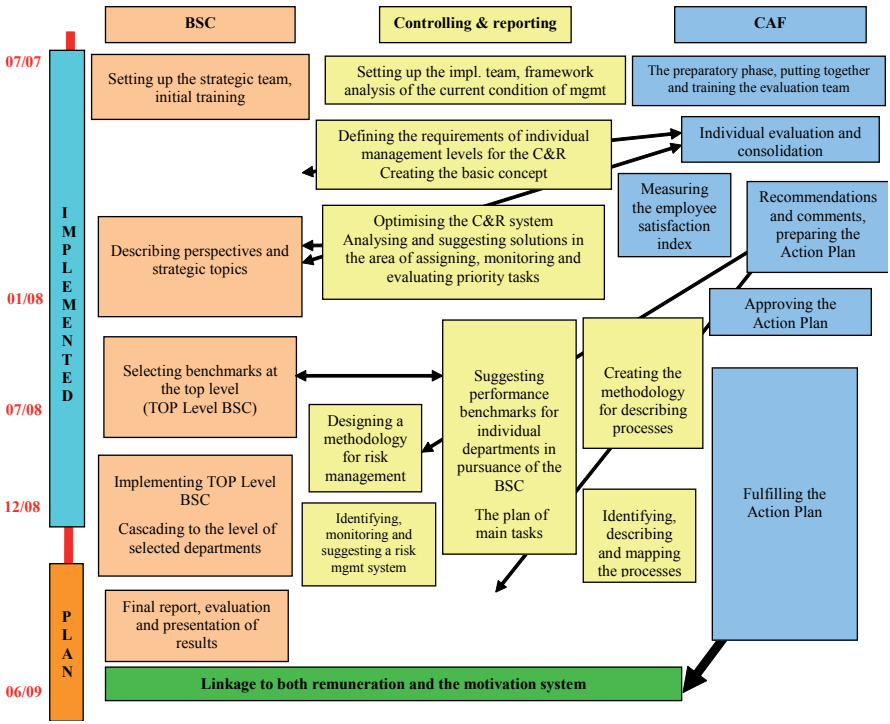
14. The Ministry for Regional Development's approach to Smart Administration

14.1. Experience with modern management methods at the MRD

14.1.1. The CAF model, the BSC, controlling – the benefits of the selected procedure

Since 2007, the MRD has been implementing modern management methods. This involves the parallel implementation of the CAF model (for general information about the CAF see Chapter 8), the BSC (for general information see Chapter 7) and a controlling and reporting system (for general information see Chapter 9). Thanks to the coordinated progress of the implementation of all three parts, this approach allows both for the mutual use of the individual methods' output and for a faster and more effective application of strategic management in the Ministry's activities. The following figure depicts – in a schematic way – the progress of the methods' parallel implementation. Having started in July 2007, the implementation process has not yet been completed. To date, one highly significant step has not been implemented – the linkage to remuneration.

Fig. 68: The chart of the parallel implementation of modern management methods at the MRD



Source: Půček, Roche (2009)

The basic links between the methods are shown in the following table.

Tab. 48: Examples of the BSC method's links to the controlling and reporting system and to the CAF

BSC – strategic map	The BSC – links to the C&R	Links to the CAF
Visions and priorities	'The fulfilment of the Plan of Main Tasks of the MRD' benchmark – monthly information about the progress of the fulfilment of tasks that are included in the Plan (including individual milestones) is submitted to the Minister's meeting	1. Leadership, 5. Processes, 9. Key performance results; this is part of the Action Plan for improving efficiency
The 'Interests and needs of partners / customers' perspective The 'Transparent and friendly administration' strategic theme	'The share of timely processed complaints' benchmark – part of quarterly information evaluating BSC benchmarks at the top level (submitted to the Minister's meeting)	4. Partnerships and resources, 5. Processes, 6. Customers / citizens – results; a task of the Action Plan for improving efficiency
The 'Finance' perspective The 'State budget' strategic theme	The 'Budget drawing' benchmark – part of monthly information for the Minister, compliant BSC benchmarks at the top level	4. Partnerships and resources, 5. Processes, 9. Key performance results; linkage to a task of the Action Plan for improving efficiency
The 'Internal processes' perspective The 'exercise of state administration (decision-making in administrative proceedings)' strategic theme	'The number of decisions for which the time limit prescribed by law has been exceeded / the total number of decisions' – part of quarterly information evaluating BSC benchmarks at the top level (submitted to the Minister's meeting)	4. Partnerships and resources, 5. Processes, 6. Customers / citizens – results, 9. Key performance results; linkage to a task of the Action Plan for improving efficiency
The 'Learning and growth' perspective The 'Identification with the Ministry' strategic theme	'The employee fluctuation' benchmark – part of quarterly information evaluating BSC benchmarks at the top level (submitted to the Minister's meeting)	3. Employees, 7. Employees – results; linkage to a task of the Action Plan for improving efficiency

Source: Půček, Roche (2009)

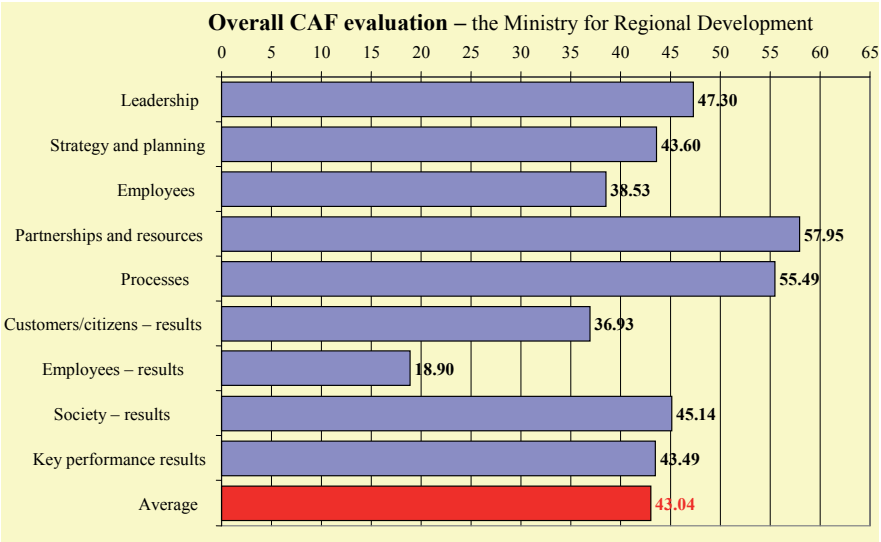
14.1.2. The application of the CAF at the MRD

The progress of CAF implementation: Having been approved in March 2007, the implementation of the CAF model at the Ministry for Regional Development factually began in July 2007, when the preparation and evaluation team was set up. The team comprised 16 members, mainly experienced employees and department heads. The organisational and methodological aspects of project implementation were carried out by a coordinator representing the MRD and an external advisor. The Ministry proceeded according to the CAF – 2006 methodology. Evaluation took place in August and September 2007, the final report including the action plan was drawn up by the team in October and November.

The results of the CAF: The results (awarded points) of self-evaluation in individual criteria are shown in the following figure. The poor rating of results in some areas was significantly affected by the lack of measurements and, by extension, the absence of evidence of development. If trend monitoring and detection is launched, these areas of results can be expected to be classified better in future evaluations. While performing CAF self-evaluation, individual team members suggested a total of 379 ideas for improving the MRD's work. After the elimination of duplicate ideas,

a total of 109 ideas remained, which were generalised by the team and found their reflection in 17 key tasks within the Action Plan for improvement. Others were handed over to be addressed by relevant individual departments.

Fig. 69: The overall CAF evaluation at the Ministry for Regional Development



Source: Půček, Roche, Hartmann (2008)

Experience with the CAF: At first, it seemed that implementing the CAF model would be a very difficult task for the Ministry. During the implementation, several problems have arisen that had been caused by this method being rejected by some members of top management, the wide spectrum of the Ministry's activities and the differences between individual sections and departments. Thanks to careful preparation, good choice of advisor and excellent work by the CAF team, the CAF has brought a wide range of results and improvement suggestions.

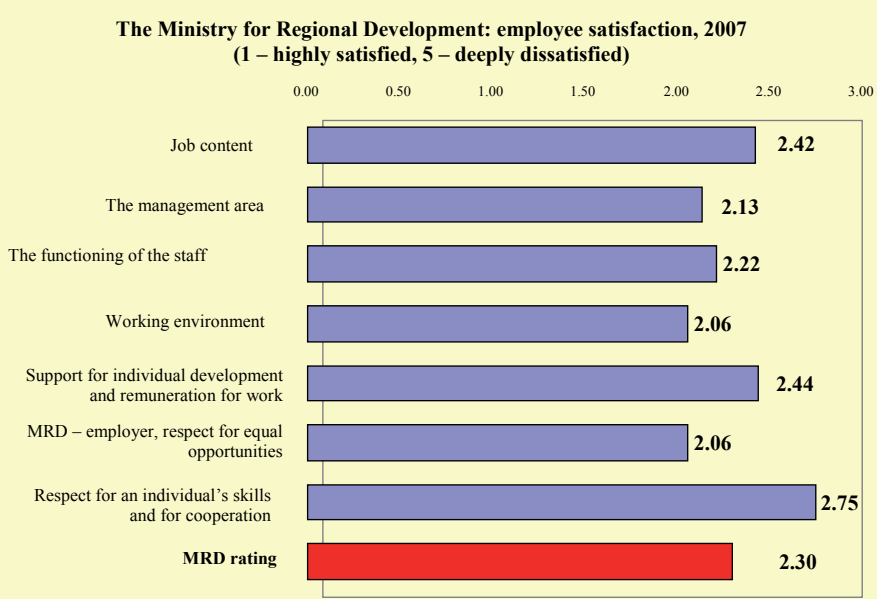
14.1.3. Measuring the Employee Satisfaction Index

As part of implementing the CAF model, a measurement of employee satisfaction has been carried out at the Ministry. The objective was to find out the opinion on issues concerning the job content, the management area, the atmosphere and the conditions at the workplace, the possibilities for personal development, communication and availability of information, work organisation etc. The detailed methodology that was also followed by the MRD can be found in the publication entitled "Měření spokojenosti v organizacích veřejné správy" (Measuring Satisfaction in Public Administration Organisations) (see http://aplikace.mvcr.cz/archiv2008/odbor/moderniz/spokojenost_final.pdf).

The survey was performed through the MRD's in house means and took place anonymously from 23 to 29 October 2007. A total of 557 questionnaires were handed out, the return rate within the whole Ministry was 48.5 %. The outcomes are shown

in the following figure. The average value of the Customer Satisfaction Index was 2.30 (a 1 to 5 scale was used, with 1 meaning highly satisfied and 5 deeply dissatisfied). In general, we can say that employees relatively positively rated their immediate environment with which they were intimately familiar. By contrast, worse ratings were given in more distant and abstract areas, about which the respondents were likely to have less knowledge and information. The outcomes of the survey were used in drawing up the CAF action plan.

Fig. 70: The results of the employee satisfaction survey at the MRD



Source: Půček, Roche, Hartmann (2008)

14.1.4. BSC – The Balanced Scorecard at the MRD

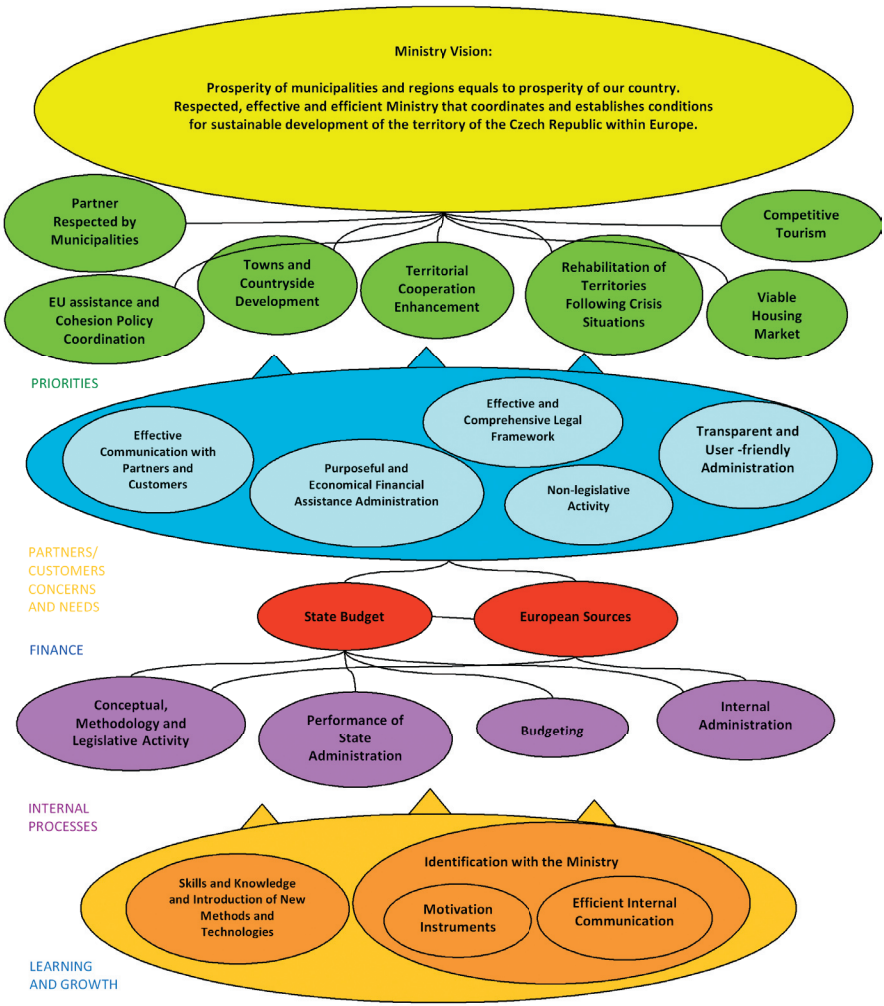
General information about the BSC method is referred to in Chapter 7.

The progress of BSC implementation: During July and August 2007, a strategic team was set up comprising members of MRD's top management and external consultants. From July 2007 to September 2008, a total of 6 meetings of the strategic team took place at which the strategic vision was formulated, the strategic map was created, and benchmarks were suggested for monitoring the implementation of the strategy at the top level. From November 2008, the monitoring of benchmarks at the top level of the Ministry was lunched and the benchmarks have been regularly evaluated.

The results of the BSC: As part of strategic planning, priorities and strategic themes were set, with the Ministry's vision being formulated as follows: "The prosperity of municipalities and regions is our country's prosperity. A respected, purposeful and effectively functioning Ministry that coordinates and creates conditions for sustainable development – both in the Czech Republic and within Europe."

In accordance with the methodology for applying the BSC, the visions and priorities were transformed into the strategic map and distributed into four perspectives: (1) Interests and needs of MRD's partners and customers, (2) Finance, (3) Internal processes, (4) Learning and growth (see the following figure).

Fig. 71: The strategic map of the Ministry



Source: The MRD

Subsequently, measures were selected for individual perspectives and themes (see the following table). The measures are monitored and regularly evaluated.

Tab. 49: The BSC measures of the Ministry at the top level

Designation	Name of measure	Unit	Measurement frequency
V	The fulfilment of the Plan of the Main Tasks of the MRD (% timely fulfilled)	%	monthly
Z1	Fulfilment of the communication strategy	%	4 times a year
Z2	Complaints: a) percentage of timely processed complaints, b) the total number of complaints received	% received complaint	4 times a year
Z3	The fulfilment of the indicators of individual EU programmes: fulfilled / being fulfilled / at risk / not being fulfilled	programme	4 times a year
F1	Budget drawing: a) budget drawing / aliquota, b) the volume of budget drawing, c) the cumulative number of budget measures	% CZK thousands budget measure	monthly
F2	MRD's total expenditure less subsidy expenditure: a) change, b) the volume of total expenditure	% CZK thousands	4 times a year
F3	Subsidies for national programmes: a) change in subsidy amounts, b) subsidy amounts	% CZK thousands	4 times a year
F4	MRD's operational costs	CZK thousands	4 times a year
F5	The allocation and disbursement of EU resources: fulfilled / implemented / at risk / not fulfilled	programme	monthly
I1	The number of decisions for which the time limit for issuing a decision that is prescribed by a legal regulation was exceeded: a) the number b) the number / the total number of decisions	submission %	4 times a year
I2	The percentage of timely fulfilled tasks	%	monthly
U1	The employee satisfaction index	index	ročně
U2	Employee fluctuation	%	monthly
U3	Budgetary posts: a) number: total / SB / TA , b) percentage change: total / SB / TA	job%	twice a year
U4	The number and the share of budgetary posts for executive staff: a) the number of posts for executive staff, b) the share of posts for executive staff	posts %	twice a year

Source: The authors

Experience with the BSC: In the first phase, it is necessary to clearly formulate the strategy of the organisation and to define the links to strategic documents and competences – it is essential that the management get involved and provide support. From the viewpoint of implementing the BSC, it is very difficult to select an adequate number of measures that are of sufficient informative value to the Ministry's management. When designing and suggesting measures, the existing C&R system was taken into account so that the data that is already being monitored can be used to the maximum extent possible, thus reducing the burden on measure administrators.

14.1.5. The controlling and reporting system (C&R) at the MRD

General information about controlling and reporting is described in Chapter 9. The objective of a controlling and reporting system is to provide structured information for evaluating the Ministry's activities in relation to fundamental strategic objectives and individual tasks.

The progress of C&R implementation: The implementation was launched in July 2007. An implementation team was set up comprising the team leader, the project manager, the guarantors for individual areas and external consultants. From August to October 2007, a framework analysis of the existing situation was performed and the requirements of individual management levels were defined.

The results of C&R: The most important output is the Plan of the Main Tasks of the MRD, which was approved by the Minister's meeting in April 2008 and has been kept up to date. The Plan includes:

(1) tasks ensuing from the Government Programme Objectives until 2010 that were approved through Government Resolution No 596/2007 and through which the Statement of Government Policy is implemented,

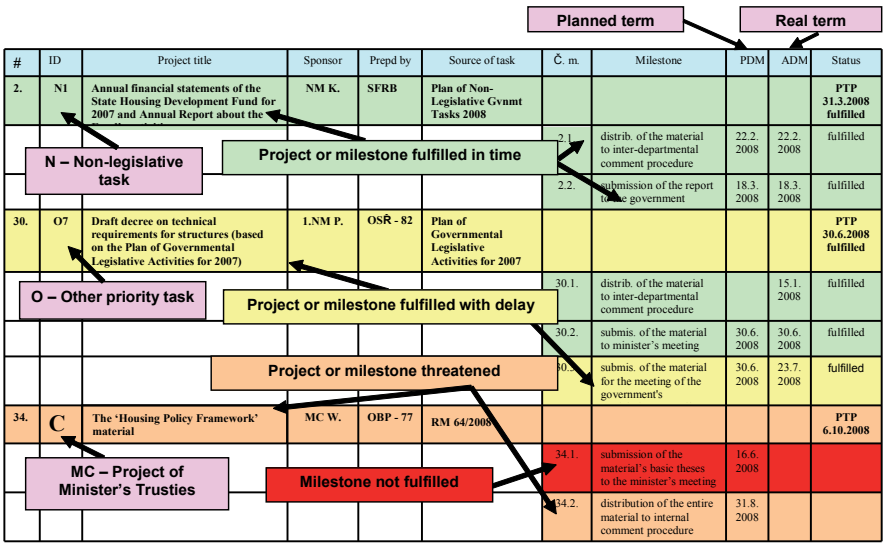
(2) tasks ensuing from the Plan of Governmental Legislative Activities that is annually approved through a government resolution;

(3) task ensuing from the Plan of Non-Legislative Government Tasks and the Overview of Ideas for the Plan of Non-Legislative Government Tasks, which are biannually approved through government resolutions;

(4) other priority tasks, for example the Action Plan for Improving the MRD's Activities (the output of CAF self-evaluation), projects of the Minister's representatives, selected tasks ensuing from government resolutions.

For each task, milestones of individual stages have been set, their fulfilment is regularly monthly evaluated and the report is submitted to the Minister's meeting. A demonstration is shown in the following figure.

Fig. 72: A demonstration of the Plan of the Main Tasks of the MRD for 2008



#	ID	Project title	Sponsor	Prepd by	Source of task	Č. m.	Milestone	PDM	ADM	Status
2.	N1	Annual financial statements of the State Housing Development Fund for 2007 and Annual Report about the	NM K.	SFRB	Plan of Non-Legislative Gvnmt Tasks 2008					PTP 31.3.2008 fulfilled
						2.1.	distrib. of the material to inter-departmental comment procedure	22.2. 2008	22.2. 2008	fulfilled
						2.2.	submission of the report to the government	18.3. 2008	18.3. 2008	fulfilled
30.	O7	Draft decree on technical requirements for structures (based on the Plan of Governmental Legislative Activities for 2007)	1.NM P.	OSŘ - 82	Plan of Governmental Legislative Activities for 2007					PTP 30.6.2008 fulfilled
						30.1.	distrib. of the material to inter-departmental comment procedure		15.1. 2008	fulfilled
						30.2.	submis. of the material to minister's meeting	30.6. 2008	30.6. 2008	fulfilled
						30.3.	submis. of the material for the meeting of the government's	30.6. 2008	23.7. 2008	fulfilled
34.	C	The 'Housing Policy Framework' material	MC W.	OBP - 77	RM 64/2008					PTP 6.10.2008
						34.1.	submission of the material's basic theses to the minister's meeting	16.6. 2008		
						34.2.	distribution of the entire material to internal comment procedure	31.8. 2008		

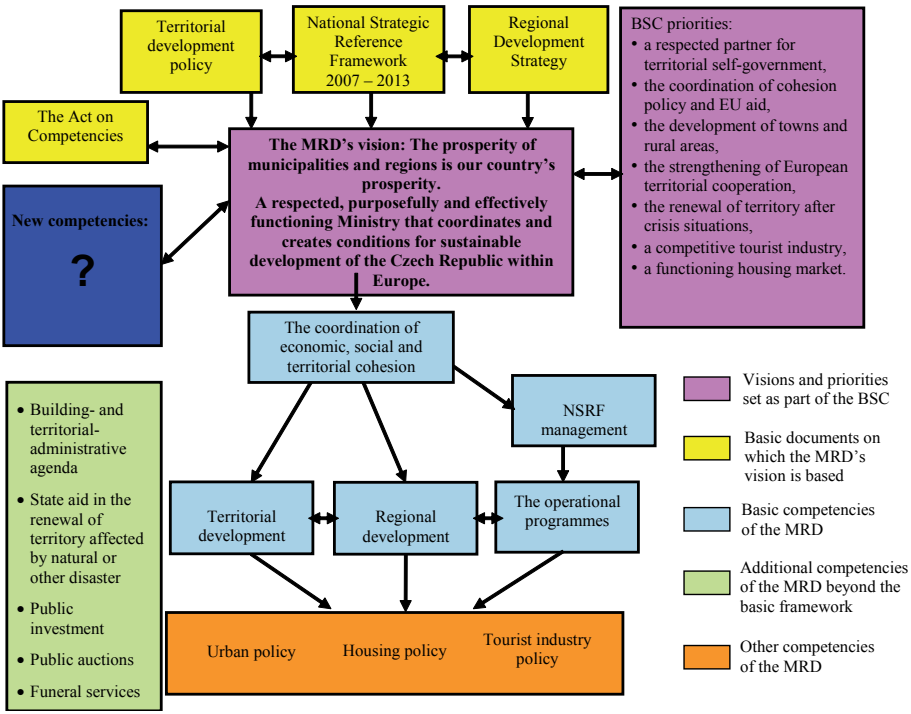
Source: Půček, Roche (2009)

Benefits

Even though the BSC implementation process is not yet completed, the parallel implementation of the CAF model, the BSC method and the C&R system is already bringing benefits. Good experience has been made with a procedure that uses small steps, gradual implementation and the involvement of all sections and management levels (including desk officers) in implementation teams – the advantage was that some members participated in all teams, thus allowing for a more effective linkage between individual methods.

The selected procedure finds its reflection, among other things, in (1) the optimisation of the organisational structure (including the reduction of both the number of employees and the share of managers); (2) the creation of a regularly monitored and evaluated 'Plan of the Main Tasks' (including government objectives, legislative and non-legislative government tasks, key projects approved by the Minister, the CAF action plan etc.); this measure resulted in increasing the number of the tasks that are fulfilled; (3) the BSC strategic map and the main measures for managing the Ministry etc. I addition, the procedure also makes room for optimising the MRD's competences. The following figure shows the linkage between the vision and the existing competences of the MRD.

Fig. 73: Linkage between the vision and the hierarchy of competences



Source: The MRD

14.2. Smart Administration projects at the Ministry for Regional Development

From the governmental Smart Administration (see Chapter 4) perspective, the Ministry for Regional Development (MRD) has two roles: (1) the role of an ordinary participant in fulfilling the strategy, (2) the role of the Managing Authority of the Integrated Operational Programme.

As a participant in fulfilling the strategy, the MRD registered 7 projects in the Smart Administration project pool: (1) The information system for the needs of regional policy, (2) The modification of the Territorial planning Portal, (3) Support for the development of processes for awarding public contracts, (4) The creation of the e-Tourism system, (5) The alignment of procedures and the digitalisation of processes within the structure of territorial planning and the building regulations of individual municipal and regional authorities in pursuance of the Register of Territorial Identification, Addresses and Real Estates, (6) Electronic methodological support for the creation of municipalities' development documents, (7) The implementation of modern management methods into the MRD's activities.

The list of all projects in the pool is available as an annex to Government Resolution No 536 of 14 May 2008 concerning strategic project plans for drawing resources from the EU Structural Funds within Smart Administration and is available for download as part of the electronic version of the publication.

15. Awards for quality, performance and innovation in the Czech Republic

15.1. National Quality Award of the Czech Republic

The 'National Quality Award' programme was launched through Government Resolution No 806/2001. The new strategy of the 'National Quality Policy for 2008 – 2013' is currently being followed. The award is divided into the business sector and the public sector.

To be able to compete for the award for the public sector, you need to successfully implement (1) the EFQM Excellence Model, (2) the CAF model, and (3) since 2009 also CSR (Corporate Social Responsibility). Further information about these methods is presented in Chapter 8.

The 'National Quality Award of the Czech Republic' programme is organised by the Association for Quality (www.scj-cr.cz). The award is announced annually. The competition opens in November of the preceding year and ends with the announcement of the winners and successful finalists in individual categories in November of the relevant year. Further information is available at www.npj.cz.

15.2. The awards of the Ministry of the Interior for quality and innovation in public administration

The source of the following text is the Statute of the Awards of the Ministry of the Interior for Quality and Innovation in Public Administration for 2009.

The awards of the Ministry of the Interior for quality in public administration (www.mvcr.cz/kvalita) are based on the objective verification of the quality and the effecti-

veness of the functioning of public administration in connection with the provision of quality public services by public administration organisations. The competition aims to support and appreciate public administration organisations and bodies that are actively involved in improving the quality of their work. The MI awards are received for applying the tools for improving the performance and quality of services, such as the CAF, benchmarking, the Balanced Scorecard, ISO standards of the 9000, 14000 and 27001 series, the EMAS, Local Agenda 21, the citizen's charter etc.

The awards of the Ministry of the Interior for quality and innovation in public administration are presented every year – in 2009, the fifth year of the competition was announced. The entire award process opens in March of the relevant year and ends with the announcement of the results as part of the National Quality Conference that is usually held in the first quarter of the following year. The participants to the competition include administrative authorities, territorial self-governing units and associations of municipalities.

According to the degree of difficulty, there are **two awards for quality, the 'bronze' level of 'Organisation Enhancing Public Service Quality'** for initial results in improving the quality of provided services and the **'silver' level – 'Organisation of Good Public Service'** for provably achieving good results of the organisation in the given year. The ultimate award for quality in public administration, the **'gold' level is awarded as part of the National Quality Award of the Czech Republic** (www.npj.cz). Award winners receive the 'awarded finalist' title. The ultimate level within the competition is the National Quality Award of the Czech Republic, which goes to the winner.

The awards of the Ministry of the Interior also include the **award for innovation.** The mission of this competition is to award new, non-traditional ideas and solutions that contribute to improving the organisation's activities and to enhancing the quality, the performance and the effectiveness of provided public services, which can become good practice examples and serve as inspiration to other organisations. The solution must be aimed at applying either a new approach or an innovative way of applying the existing tools, which has verifiably resulted in the improvement of the organisation's activities or helped improve the quality, the performance or the effectiveness of provided public services. At the same time, the solution should also be applicable in other public sector organisations, i.e. it should set an example of good practice and serve as inspiration to other organisations.

The proceedings of the 5th National Conference of Quality in Public Administration (Olomouc, 4 – 6 February 2009) with examples of good practices is available for download at http://www.mvcr.cz/clanek/verejna-sprava-podpora-zavadeni-kvality-ve-verejne-sprave.aspx?q= Y2hudW09Mw%3d%3d.

15.3. The Village of the Year competition

The Village of the Year has been announced annually since 1995. In 2009, the 15th year of the contest was announced.

It aims to (1) encourage the population of rural areas to actively participate in the development of their homes, (2) publicly present the diversity and variety of implementing the programmes for municipal renewal and (3) draw the general public's attention to the significance of the countryside. The competition is an opportunity for the propagation of the countryside and it proves that active participation of the citizens in the development of their municipality brings tangible results. This is not only about the financial bonus that is associated with victory. This is also an oppor-

tunity to show the diversity and variety of life outside the town and to highlight the significance of the countryside.

Participation in the contest is open to municipalities of village character that have up to 5 250 residents and that have prepared their own strategic document addressing the development of the municipality, a village renewal programme or a programme for the development of their territory.

The competition is organised by (1) the Association for the Renewal of the Countryside of the Czech Republic, (2) the Ministry for Regional Development, (3) the Union of Towns and Municipalities of the Czech Republic, (4) the Ministry of Agriculture. The co-organisers include the Office of the President of the Republic, the Ministry of Culture, the Ministry of the Environment, the Czech Landscape and Garden Society, the Association of Library and Information Professionals, the Folklore Association of the Czech Republic and the Association of Local Governments of the Czech Republic.

Last year, a total of 309 municipalities from thirteen of the Czech Republic's self-governing regions registered for the competition. The municipality of Lidečko (the Zlín self-governing region) became the winner of the competition's last edition and the holder of the title 'Village of the Year 2008'.

Further information is available at http://www.mmr.cz/Regionalni-politika/Soutez-Vesnice-roku.

15.4. Other awards

In the Czech Republic, there are a large number of other prizes and awards for which towns, municipalities and public organisations can compete. The overview of some of them is shown in the following table.

Tab. 50: Selected competitions in pursuance of Smart Administration methods

Title and description	Intended for
National Quality Award: For description see above. www.npj.cz	The public sector, the business sector
The awards of the Ministry of the Interior for quality and innovation: For description see above. www.mvcr.cz/kvalita	The public sector.
The Village of the Year competition: For description see above. www.mmr.cz/Regionalni-politika/Soutez-Vesnice-roku	Municipalities with up to 5 250 residents, which have a strategic document addressing the development of the municipality, a village renewal programme or a programme for the development of their territory.
The historic town of the year: an award for the best preparation and implementation of a Programme for the Restoration of Urban Monument Preservation Areas and Urban Monument Zones. The organisers of the award are the Association of Historical Settlements in Bohemia, Moravia and Silesia, the Ministry of Culture of the Czech Republic and the Ministry for Regional Development, the award aims to give appreciation to municipalities that achieve the best results in the area of restoring urban monument preservation areas and urban monument zones. www.shscms.cz	The towns and municipalities participating in the Programme for the Restoration of Urban Monument Preservation Areas and Urban Monument Zones
The Golden Coat-of-Arms Award: this is a competition for the best websites and electronic services of towns and municipalities. The competition is announced by the Golden Coat-of-Arms Association. The competition aims to promote the modernisation of local and regional public administration through developing information services that are provided to the citizens and specific user groups via the Internet and other electronic media, thereby contributing to the development of quality of life in towns, municipalities and self-governing regions of the Czech Republic. In 2009, the 11th year was announced. http://zlatyerb.obce.cz	Towns, boroughs, municipalities and self-governing regions of the Czech Republic.
The About People with People competition: This is an award for supporting local democracy and cooperation with NGOs: The competition is organised by the Centre for Community Work in cooperation with the Public Administration government weekly, the Partnership foundation, with financial assistance of the European Union and the Visegrad Fund, and under the auspices of the Ministry of the Interior of the Czech Republic and the Ministry of the Environment of the Czech Republic. What is evaluated here is the participation of the public in decision-making and the extent of both cooperation with non-governmental, non-profit organisations and their support. In 2009, the 6th year of the competition was announced. At the same time the competition is also held in Poland, Hungary and Slovakia. The winners from all four countries then compete for the title of the best project for public involvement in Central Europe. **http://www.olidech-slidmi.cz**	Municipalities, towns, boroughs, micro-regions, self-governing regions' authorities and other institutions of public administration and self-government, provided that they: - have organised the citizens' participation in the development of the municipality or region, thereby contributing to increasing their involvement in decision-making, and/or - cooperate with non-governmental, non-profit organisations, support them and involve them (on the principle of partnership) into regional development.
Town for business: The competition evaluates towns from the perspective of their potential for enterprise and monitors both regional initiative and the involvement of local government in improving the entrepreneurial environment. It assesses the entrepreneurial environment, the situation in the labour market, the attractiveness of the location, the price conditions, the quality of public administration and the results of surveys carried out among entrepreneurs. The competition is announced by the Ekonom weekly magazine. In 2009, the 2nd year was announced. http://www.mestoprobyznys.cz	All 205 municipalities with extended competence and 22 Prague boroughs are automatically included in the competition

Source: The authors

16. Conclusion

Smart Administration as a way of administering public affairs

Behind every decision made in the public sector there are specific people. These everyday decisions of politicians, managers and clerks can improve the situation of public administration (if they reflect the principles of 'doing the right things right' and communicating them in the right way), or make it worse (bad laws, uneconomical or senseless investments, wastefulness of all kinds etc.) The authors of the book entitled "Reinventing Government" see bureaucracy as the main culprit: "The problem is not in the people working in the public sector; the problem is in the system. We do not fight bureaucrats, we fight bureaucracy. Public sector employees are trapped in archaic structures that destroy their creativity and drain their energy. We believe that these systems can be changed in a way to release the enormous energy of public sector employees and increase their ability to serve the public." (see Osborne, Gaebler, In Vacek, 2006). This monograph has tried to contribute to making it possible for the system to change for the better.

The analysis of the problems of Smart Administration shows that one of the targets of public administration modernisation in EU countries lies in implementing the ideas of Smart Administration. While the term 'Smart Administration' is commonly used in EU documents (the overview of documents in connection with cohesion policy is presented in Chapter 2), its explicit definition cannot be found.

In the publication, we attempt at a (working) definition of the term 'Smart Administration'. Within the context of the initial **definition of 'Smart Administration'** (see Chapter 1):

Smart Administration is such a way of administering public affairs where public administration management is based on visions, concepts, strategic and operational plans that are oriented towards the 'final' target situation in public administration, namely the effectively functioning public administration (i.e. the functioning exercise of state administration and provision of public services, sustainable territorial development) oriented towards fully satisfying 'public' needs.

Smart Administration is based on identifying the citizens' demand for public goods and public services (see Chapter 5 – 'communicating with the citizens in the right way', satisfaction surveys – Chapter 8, Local Agenda 21 – Chapter 12, etc.) The system of 'Smart Administration' is able to identify such demand (to identify the 'right things' – see Chapter 5, methods for analysing and defining problems – see Chapter 13) and, taking into account both the limited resources (financial management – see Chapters 9, 10) and public interest in the order of priorities, efficiently satisfy the given demand (to perform 'in the right way' – see Chapter 5). The objective of Smart Administration is a satisfied citizen (and a satisfied customer of public services), i.e. the objective is (1) to improve the citizens' quality of life (while respecting sustainable development) and (2) to improve the exercise of public administration and the provision of public services. It this sense, we deem to have proven the hypothesis that the key to the successful implementation of Smart Administration in territorial development and administration is (a) selecting and pushing through the right (i.e. the most needed and the most important) investments, activities, measures and legislation, (b) implementing them in the right way (which includes the necessity of measuring the accomplishment of objectives and, with respect to the activities as such, performing them with high performance and quality and within reasonable deadlines, as well as economically, effectively and efficiently from the financial point of view) and (c) sharing them – communicating about them – with the public in the right manner. However, orientation towards the achievement of objectives (see Chapter 5) is a necessary prerequisite.

In the publication, we define the basic prerequisites for the formation of Smart Administration (see Chapter 3). These are comprised of two groups of factors, namely objective factors and subjective factors. Objective factors include – above all – the given legislative environment, the existing organisational structures and procedures that ensure the exercise of public administration. Subjective factors include in particular the readiness of public administration actors to implement Smart Administration.

The role of public administration actors and their readiness to exercise Smart Administration is the key prerequisite to the implementation of the idea of 'Smart Administration'. In the publication, we analyse in detail the essential elements of both types of factors. If we examine the role of the EU cohesion policy as the framework for Smart Administration (see Chapter 2), we define its content and its future after 2013, as well as the Czech Republic's position within it. Based on the analysis of foreign approaches (see Chapter 3) to Smart Administration, we define the Czech Republic's approach to Smart Administration (see Chapter 4). We seek answers to the questions, how to effectively manage public administration (see Chapters 5 through 8), how to 'do the right things right' (see Chapter 5) and how to effectively and friendly communicate with the citizens.

We arrive at the conclusion that in order to build up Smart Administration, it is necessary to manage and continually innovate the processes in public administration. It is necessary to know and to utilise local (or regional) potential and to build on it. In the first step, this means investing into people who are able to do so (or, in other words, to 'build the necessary capacities' that will allow for the activation of local resources). In order to achieve that, it is desirable that public administration actors should acquire the necessary knowledge and skills. In this sense, we consider the third hypothesis that was stated in Chapter 1 to have been proven.

The implementation of the exercise of Smart Administration is based on using a number of underpinning managerial methods (see Chapters 7 through 13, the overview is shown in the following table). The key prerequisite for implementing Smart Administration in the Czech Republic (the strategy of the Czech Republic – see Chapter 4) is that public administration and self-government actors learn to use these methods in a creative way. The study of foreign experience shows that in the implementation of the idea of Smart Administration, both the EU as a whole and its individual member states can lean on varied theoretical starting points and experience (see Chapter 3). However, Smart Administration's implementation core must always consist in innovative public administration management that is oriented towards achieving set objectives and that functions based on the principles of efficiency, effectiveness and purposefulness (sound financial management, see Chapter 9), where all processes lead to the enhancement of the exercise of public administration, the objective being to satisfy the citizens' demand for public services. At the same time, it is necessary to create a system for utilising all opportunities (e.g. EU funds – see Chapter 2, instruments of territorial development – Chapter 6), the system for evaluating and minimising all kinds of risks (controlling and risk management, see Chapter 9) and to reduce the risk of crises and failures (see Chapter 6). In this sense, we deem the first hypothesis that was stated in Chapter 1 to have been proven.

The individual approaches, instruments and methods that have been evaluated in the publication (see Chapters 5 through 13) can become an information source for public administration modernisation and territorial development. The overview of approaches, instruments and methods applied within Smart Administration is shown in the following table.

The evaluation of the fulfilment of objectives

Chapter 1 defined the objectives the hypotheses and the problematic questions. The monograph had three objectives:

The first objective related to the analysis and evaluation of individual Smart Administration approaches, tools and methods and their use in the management of public sector organisations, especially territorial units (this was carried out in Chapters 6 through 13). The overview of approaches, instruments and methods classified into individual groups (many methods and approaches can be matched to multiple areas), including reference to the respective chapter, is shown in the following table.

Tab. 51: The overview of selected Smart Administration approaches and methods

Group of methods	Description, reference to additional information
Standard quality management methods	See Chapter 8.2, e.g. ISO 9001, the CAF model, the EFQM model, benchmarking and benchlearning, the process approach, TQM (Total Quality Management) etc. Within the framework of these methods, there are a wide range of partial approaches and tools (e.g. improvement using the PDCA cycle).
Methods for increasing performance	Quality methods and performance methods are often in the same group, as most quality methods contribute to increasing performance (EFQM, CAF, benchmarking and benchlearning, the process approach etc.) The methods for increasing performance also include the BSC (see Chapter 7), the Lean method – Lean public administration (see Chapter 9), personnel or process audits, reengineering, MBO (Management by Objectives), controlling and reporting (see Chapter 9) etc.
Improvement methods, change management, project management, project evaluation methods	The best known general improvement method is the PDCA cycle. Project management – see Chapter 11. Evaluation methods used by the Structural Funds include for example the HERMIN model. In project evaluation, for example CBA analysis is used.
Modern strategic management	See Chapter 7, e.g. the Balanced Scorecard method, SWOT analysis, Integrated Urban Development Plans etc.
Methods for ensuring feedback and communication with citizens / customers	For example citizen satisfaction surveys (see Chapter 8.3), surveys, polls, inquiries, communication techniques, etc. These methods are also included in Local Agenda 21 and in comparable approaches
Methods for problem analysis and definition	See Chapter 13. These methods can also include the regulatory impact assessment method (RIA – see Government Resolution 420/2005).
Knowledge management methods	Knowledge management – see Chapter 8.3.
Methods that build on sustainable development	(a) Environmental management systems – see Chapter 12 (e.g. EMAS, ISO 14001), (b) Local Agenda 21, see Chapter 12 (e.g. the Healthy City project, community planning of social services etc.), (c) Corporate Social Responsibility (CSR), (d) the European Indicator Set for sustainable development (see www.timur.cz).
Urban (regional) marketing	See www.mestskymarketing.cz.
Methods of modern personnel management	Investors in People, competence management, effective motivation and remuneration systems, employee feedback and satisfaction, aptitude evaluation, rotation methods etc.
Controlling, reporting, risk management	See chapter 9.
Modern financial management and budgeting	See chapter 10.
Methods for the support of managerial decision-making	Optimisation methods (e.g. linear programming, dynamic programming), critical path calculation methods (CPA, PERT), modelling, simulation.

Source: The authors

The following criteria have been selected for including individual approaches, instruments and methods in this publication: (1) the relevance of the given problem in relation to the research topic and to its applicability in territorial administration and development, (2) the innovativeness of a method or an approach from the viewpoint of its usability in the public sector in the Czech Republic, (3) respect for the principles that are applied within the EU, especially the principle of sustainable development. Within its scope, the publication could not cover all methods, approaches and tools. Despite that, it can be stated that the objective has been accomplished.

The second objective related to presenting the characteristics of the Smart Administration Strategy that was approved by the Government of the Czech Republic in pursuance of the EU cohesion policy and territorial development (cohesion policy – see Chapter 2). The government strategy was addressed in Chapter 4, which contains the description of the government strategy (the core is the 'public administration Hexagon'), the concept of Smart Administration within the National Strategic Reference Framework and its projection into the OP HRE (Operational Programme Human Resources and Employment) and the IOP (Integrated Operational Programme), i.e. including financial resources. Once we add up the IOP and the OP HRE funding that is intended directly for Smart Administration, we get a total of 700.4 million, which represents 2.62 % of all funding for cohesion policy for the Czech Republic (26.69 billion – see Chapter 2). If we add all the subsequent axes (see the table in Chapter 4.3.4), we receive a figure of 1 261 million, i.e. 4.71 % of all funding intended for the Czech Republic within cohesion policy. In the sense of the specification, the second objective has been accomplished.

The third objective of the monograph was to raise contentious questions and hypotheses. Therefore, the objective was to open the questions and hypotheses and provoke discussion among public administration actors in order to verify (or refute) them in practice . The answers to the questions can be found in the individual Chapters, the solution of the hypotheses has been outlined in the preceding text of this chapter. In this sense, the objective has been accomplished.

Recommendations for further research

Not all aspects could be covered in this text. Further research in the area of Smart Administration can focus on the following five areas:

(1) Preparing case studies of successful public administration organisations, public service providers and especially territorial units (preparing good practice studies).

(2) Evaluating the benefits of Smart Administration measures that are financed by the cohesion policy, i.e. their benefits for the modernisation of public administration. This will become possible once the drawing of resources for these projects starts. As part of the above – or even separately – it is desirable that the benefits of Integrated Urban Development Plans (IUDP) should be evaluated.

(3) Addressing the issue of public services within the context of Smart Administration and cohesion policy.

(4) Further elaborating Smart Administration in individual areas (e.g. personnel management, financial management, property management, sustainable development, urban or regional marketing etc.)

(5) Addressing – from the viewpoint of the broader context – the benefits of the EU cohesion policy and the regional policy of the Czech Republic, with respect to growth and employment at the local, regional and national levels. As part thereof, to develop the issue of Smart Administration and territorial development.

Acknowledgements and contacts

The publication has 16 chapters including the conclusion, 2 appendices that are included in the publication's text and 6 appendices in electronic form (the list of appendices is included after the bibliography). All the texts presented herein including all appendices can be downloaded in electronic form at the following websites:

www.mmr.cz

www.strukturalni-fondy.cz

www.fsv.ceses.cuni.cz

You can send to the authors your views, ideas and comments concerning the publication at the following e-mail addresses: milan.pucek@seznam.cz and ochrana@fsv.cuni.cz.

If this publication provoked the reader into creative reflection on the issue of Smart Administration, its links to cohesion policy and territorial development, to considering how Smart Administration can or should be applied in the Czech Republic, then this book has achieved its envisaged purpose.

We would like to thank all public sector employees, clerks and politicians who strive – through their everyday work – to ensure the quality and performance of the administration of public affairs. Without the results of their work, this publication could not have been written. Also, we hereby thank all our colleagues who contributed to transferring the experience and materials that had been gained during research into the form of this monograph.

On behalf of the collective of authors

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Summary

The publication examines the issue of Smart Administration and its implementation under the conditions existing in the Czech Republic. Smart Administration is defined as a tool for the effective and high-performance exercise of public administration that provides friendly public services. In the introductory chapters, an analysis of foreign approaches to Smart Administration is exercised and the Czech Republic's approach to Smart Administration is examined in detail, as defined in the government's "Strategy for the Implementation of Smart Administration in the 2007 – 2015 Period". Based on the definition of Smart Administration, the objectives of and approaches to public administration management that are currently used in the Czech Republic are examined. The relationship between strategic planning and Smart Administration and the roles of quality, performance and financial management in Smart Administration are analysed in detail. The analysis of individual problems that are associated with implementing Smart Administration in the Czech Republic leads to a review of modern budgeting methods, project management and the use of suitable methods for analysing and defining problems in public administration. The analysis leads to research into the Ministry for Regional Development's approach to Smart Administration. The publication includes appendices, bibliography and concluding recommendations. The publication is intended for both self-government employees and university students who are preparing for the professional career of public administration employees.

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List of electronic appendices

The publication's electronic version includes the following appendices (only in Czech language):

1. The strategy "Efficient Public Administration and Friendly Public Services" subtitled "The Strategy for the Implementation of Smart Administration in the 2007 – 2015 Period" http://aplikace.mvcr.cz/archiv2008/sprava/gremium/dokumenty/strategie.pdf
2. Government Resolution No 536 of 14 May 2008 concerning strategic project plans for drawing resources from the EU Structural Funds within Smart Administration – an annex to the strategy entitled Efficient Public Administration and Friendly Public Services (including the annex)
3. The National Strategic Reference Framework of the Czech Republic 2007 – 2013
http://www.strukturalni-fondy.cz/getdoc/197f55c7-ffeb-4f5c-ab81-26237ef6eaf1/Narodni-strategicky-referencni-ramec-CR-2007—2013-
4. The Czech Republic's framework position on the future of cohesion policy in the European Union (version from November 2008)
5. Research projects of the Ministry for Regional Development of the Czech Republic with relation to Smart Administration
6. Methodological guideline to the Integrated Urban Development Plan
http://www.mmr.cz/Regionalni-politika/Koncepce-Strategie/Metodicky-pokyn-k-Integrovanemu-planu-rozvoje-mest

Annex 1: Examples of public service providers (the municipality/the self-governing region as the contracting authority)

Directly/ indirectly	Provider	The laws governing the provider	Relationship to the municipality (self-governing region)	Examples of use (public services)	Who is the customer (examples)
Directly by municipality / self-governing region	**Municipal/ Self-Governing Region Authority**	The Act on Municipalities/ Self-governing regions, the Code of Administrative Procedure and other special acts	Provided directly by a municipality/self-governing region through an authority/office	– Delegated exercise of public administration (Trade Licensing Office, Registers of Vehicles, Vital Statistics Office, Building Office etc.)	– The applicant for an act (issuing or changing a trade license, the applicant for the transfer of a vehicle, for issuing an identity card, a passport etc.)
				– Performing the tasks of local government (leasing out non-residential premises, property management etc.)	– The applicant for an act by local government (the lessee of non-residential premises, the applicant for buying a real estate etc.)
	Organisational unit of a municipality or a self-governing region	Sections 24 – 26 of Act No 250/2000 Sb.	Established by a municipality through an establishment deed, it has no legal capacity	– For example a library or a cultural facility etc.	– The user of a library, visitor of a cultural facility
	Another municipal body	Special act	A municipal body	– Municipal police	– Citizens
				– Committee for minor offences etc.	– Participants to proceedings
Indirectly by municipality/self-governing region through establishing or founding a non-profit organisation	**Allowance organisation**	§ 27-37 z. č. 250/200 Sb.	Established by a municipality through an establishment deed	Elementary schools, kindergartens, technical services, …	– Parents and pupils of elementary schools or kindergartens, in the case of technical services for example citizens and customers from whom waste is collected etc.
	Publicly beneficial organisations	Act No 248/1995	municipality through an establishment deed (municipality alone) or through a contract (with	Social services, a community centre, …	– The users of social services, visitors of community centres,…
	Union of municipalities	Sections 49 – 53 of Act No 128/2000 Sb., Section 39 of Act No 250/2000.	Several municipalities establish a union through a contract and statutes	A micro-region, a union of municipalities, …	– According to the nature of the reason why the union was created
	Association of legal entities	Section 20 f) of the Civil Code	A municipality is a member (establishing authority) of an association of legal entities	An elementary school, a regional agency, …	- In the case of elementary schools: pupils and parents
Indirectly through a for-profit organisation in which an interest is held by the municipality/ self-governing region	**Company with limited liability or incorporated company**	Sections 105 – 153e of the Commercial Code	May be established by a municipality through an establishment deed (municipality alone) or through a memorandum of association (with other entities)	Property management, technical services, waste collection,	– According to the character of the activity (e.g. for property management – the lessees of residential and non-residential premises etc.)
	Cooperative	Sections 221 – 260 of the Commercial Code	The municipality is a member of the cooperative	Housing, …	– Lessees
Indirectly – through purchasing services	Various possibilities of service providers (usually selected in tenders) and their customers. The relationship with the municipality/ self-governing region is defined in a contract. **Note:** There surely are other possibilities. The table only provides some examples.				

Source: Půček, Matochová (2007)

Annex 2: Basic information about Integrated Urban Development Plans

The following text is borrowed from the methodological guideline issued by the Ministry for Regional Development. The purpose of the methodological guideline is to achieve a unified procedure in preparing, evaluating, approving and implementing Integrated Urban Development Plans (hereinafter "the IUDP"). The guideline is available for download at http://www.mmr.cz/Regionalni-politika/Koncepce-Strategie/Metodicky-pokyn-k-Integrovanemu-planu-rozvoje-mest.

The IUDP is an **efficient tool of urban policy** that ensures coordination of sectoral and territorial policies in towns. At the same time, it represents a tool for drawing financial resources from the Structural Funds, the objective being to ensure the synergic effect of individual interventions that support designated towns as the poles of regions' development through concentrating the allocation of financial resources into a geographically defined zone of a town or as part of addressing the key topic of urban development.

In the 2007 – 2013 programming period, the IUDP is one of the most significant coordination mechanisms for interventions of Regional Operational Programmes (hereinafter 'the ROP'), Thematic Operational Programmes (hereinafter 'TOP') and the Integrated Operational Programme (hereinafter 'IOP'), i.e. interventions that are targeted at urban development. Projects included in IUDPs will be supported above all from ROPs, if the issue of housing is addressed – from the IOP, and marginally also from TOPs. In this way, synergy is ensured between the effects of the individual activities that implement the town's strategic development objectives and priorities and allow for a significant concentration of investments.

In pursuance of the National Strategic Reference Framework of the Czech Republic 2007 – 2013, such activities will be linked within the IUDP as developing and adapting initial education and strengthening human capital in research and development (Operational Programme Education for Competitiveness), attracting and retaining talent and highly qualified employees in urbanised areas and addressing the problem in the area of social integration in deprived parts of towns (OP Human Resources and Employment), improving the individual environmental components (OP Environment), developing enterprise and supporting entrepreneurial services in towns (OP Enterprise and Innovation), developing innovation potential in the towns (OP Research and Development for Innovation), improving the physical environment for housing (the Integrated Operational Programme).

The IUDP's objective is to coordinate activities and concentrate resources on addressing the most pressing problems that have been identified and to use the towns' economic and other development potential. Effectiveness mainly consists in the meaningful interrelationship and the synergic effect between individual activities and measures. Such integrated approach brings about a significant multiplication effect that mobilises both private and public resources.

The IUDP's definition: An Integrated Urban Development Plan is understood as a set of activities that are interlinked with respect to content and time, implemented in the defined territory or as part of the thematic approach in towns, and that lead to accomplishing the common objective or objectives of the town, the municipality or the area. These can be supported from one or more operational programmes.

The IUDP is the basic coordination framework that is linked to the overall vision and strategy of urban development in order to identify and address problems of the town's developing areas in pursuance of using support from the Structural Funds in the 2007 – 2013 Programming Period.

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