

Innovative financial management practices in the area of LED in the CEE countries

Budgeting Decision Process Improvement

Zdenek Chalus

External Advisor of MEPCO and KPMG Czech Republic

MEPCO – International advisory centre of municipalities
Thákurova 1
161 40 Praha 6
www.mepco.cz



Content of Presentation



Introduction

- Segment I.
Budgeting Decision Process Identification
- Segment II.
Case Studies
- Segment III.
Budgeting Decision Process Improvement

What are we offering?

Introduction

- **Terms of Reference**

Study on innovative financial management practices in the area of local economic development (LED) in the CEE countries. Key contents (best practices with regard to LED in the CEE region).

- **Investigate study prepared before:**

The Czech republic experience

- **Today's presentation:**

Serbian – Czech team base development, and cooperation



Segment I – Budgeting Decision Process Identification



- 1. Public financing and regional self administration**
- 2. Government Governance and “Enterprise” Culture**
- 3. System and Financial Engineering**

1. Public Financing and Regional Self Administration

- **Public intervention funding, regional and municipal administration**
 - Administrative capacity
 - Regions and municipalities needs smart state administration
 - Value return investment
 - “Enterprise” culture in public administration
- **Public administration needs managers; Why we need the system PIFC?**
 - New requirements on politicians, officers and managers
 - Cycle of personal responsibility
 - Financial and Managent Control and Internal audit
 - Central Harmonization Units



2. System and Financial engineering

- **System Engineering Standards:**

ISO/IEC 15 288: System Life Cycle Processes; ISO/IEC 15 704: Requirements for Enterprise Reference Architectures

Content: organizations and processes architecture, reflecting changes in material and intangible property concerning aims of their operational regime.

Example: Public Smart Administration, EC Challenge.

- **Financial Engineering Standards**

EU regulation № 1083/2006 about common provision of ERDF, ESF, FS, sec.4 "Financial Engineering", art. 44

Content: Any form of financing except direct subsidies.

Examples: JEREMIE, JESSICA and consultancy JESPERS

Segment II – Case Studies

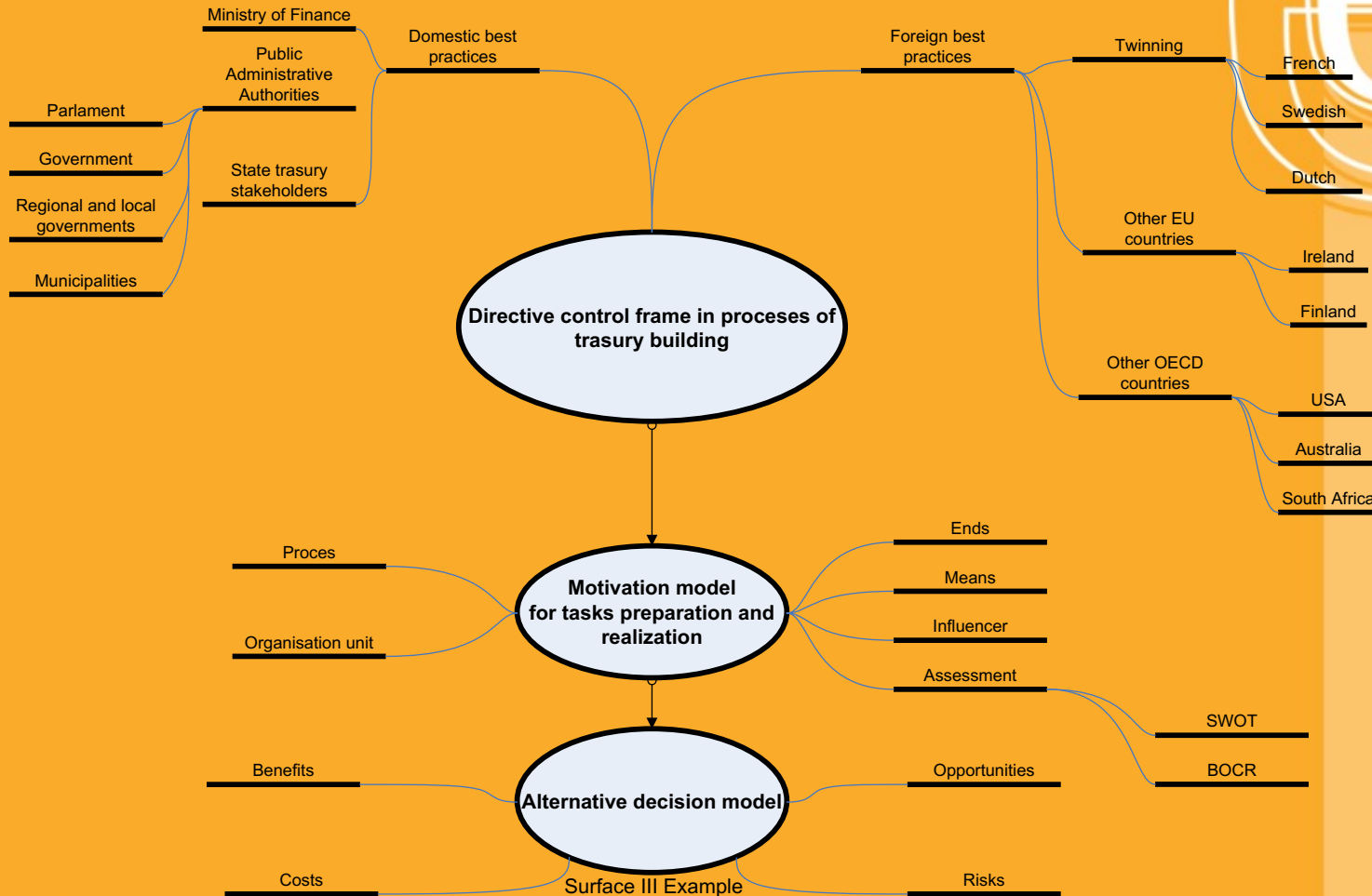
- Case Study I
State Treasury Building
- 2. Case Study II
Municipality and EU Structural Intervention
- 3. Case Study III
Revolving Funds in Practice

and

- 4. The Key Message for Discussion



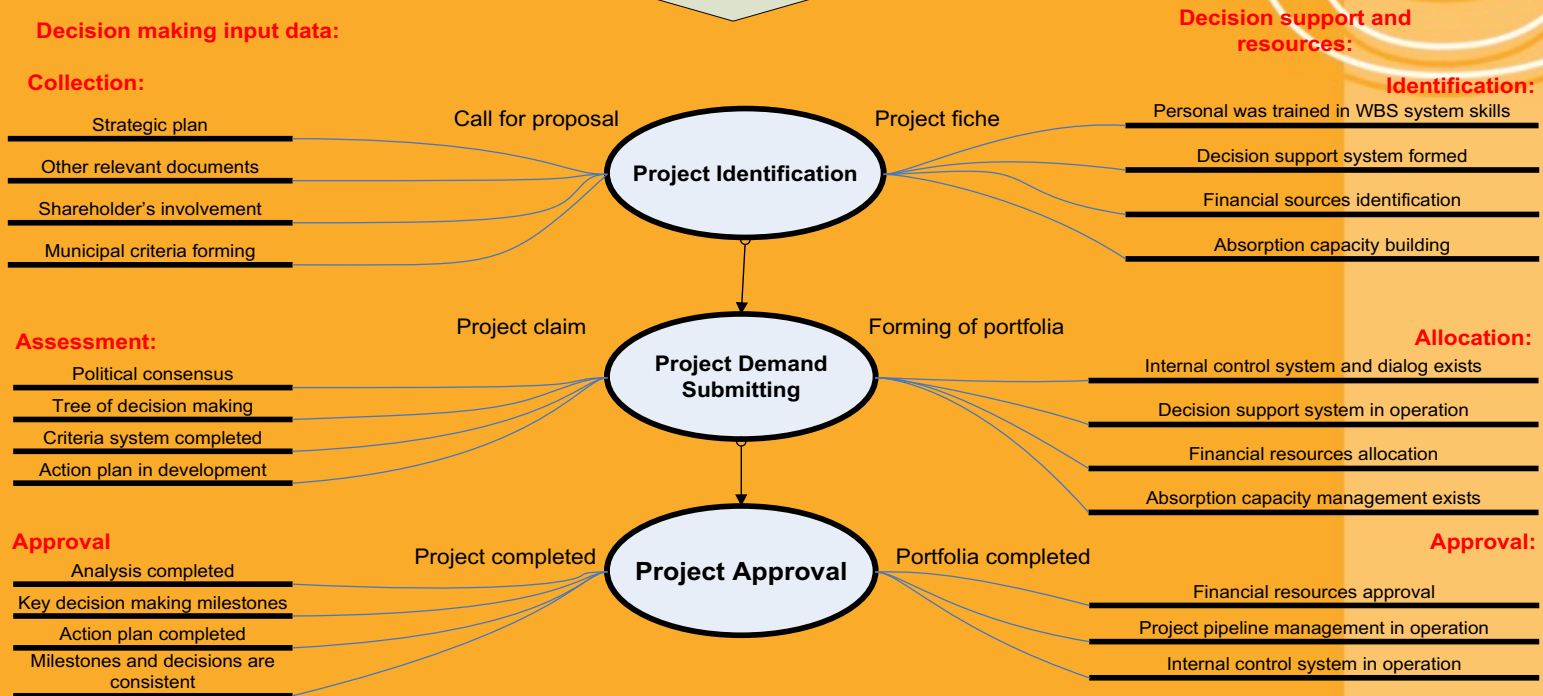
1. Case Study I - State Treasury Building



2. Case Study II - Municipality and EU Funds

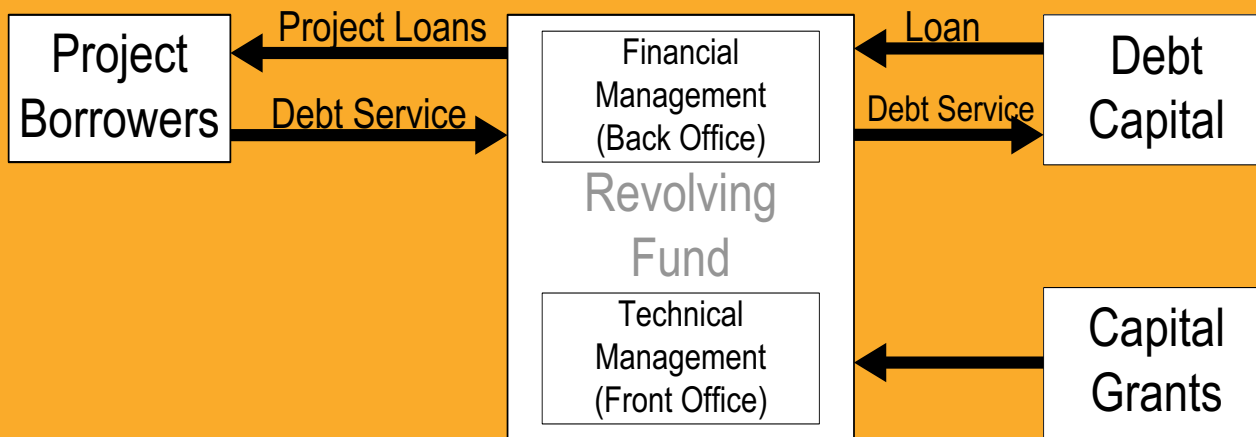
Municipality budget, alternative budget EU Funds

Top level: Decision making process in a municipality

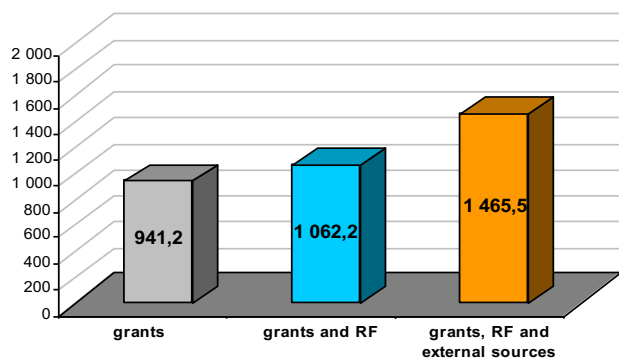


Operational level (next step): Project management activities in a municipality

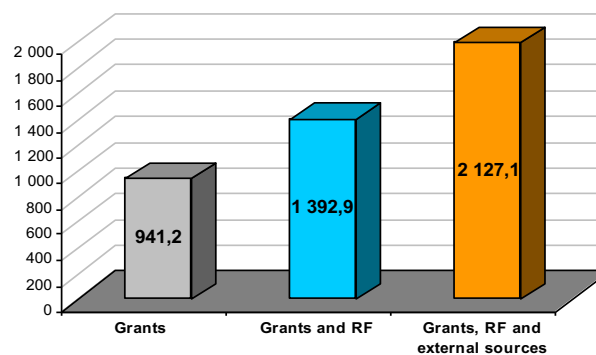
3. Case Study III - Revolving funds



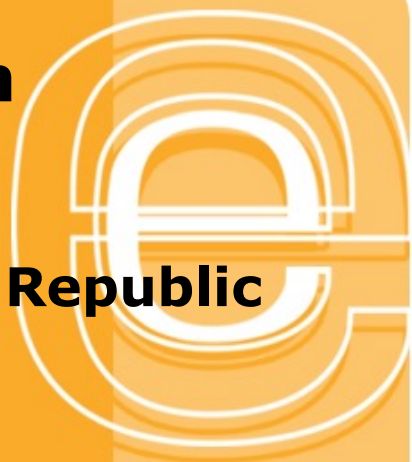
Graf 1: Intervention absorption in the years 2007 - 2013 (billion CZK)



Graph 2: Intervention absorption in the years 2007 - 2020 (billion CZK)



4. The Key Message for Discussion



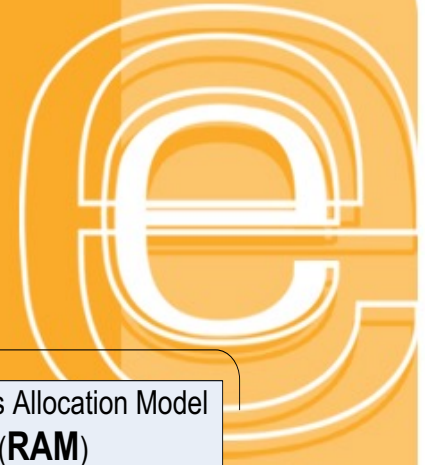
- **Structural Intervention in the Czech Republic**
 - Pre-accession period (CBC projects)
 - intervention 2004 – 2006 and 2007 - 2013
- **Financial reform and structural intervention**
 - Impact on state, regions and municipalities
 - Decision making process development
 - What does it mean „Directives“
- **What We Need – a Common Language for the Top Decision Making Activities in Europe**
 - ... for expert cooperation (to understand each others)
 - ... for expert's discussion with others
 - ... among stakeholders of the EU funds

Segment III – Budgeting Decision Process Improvement

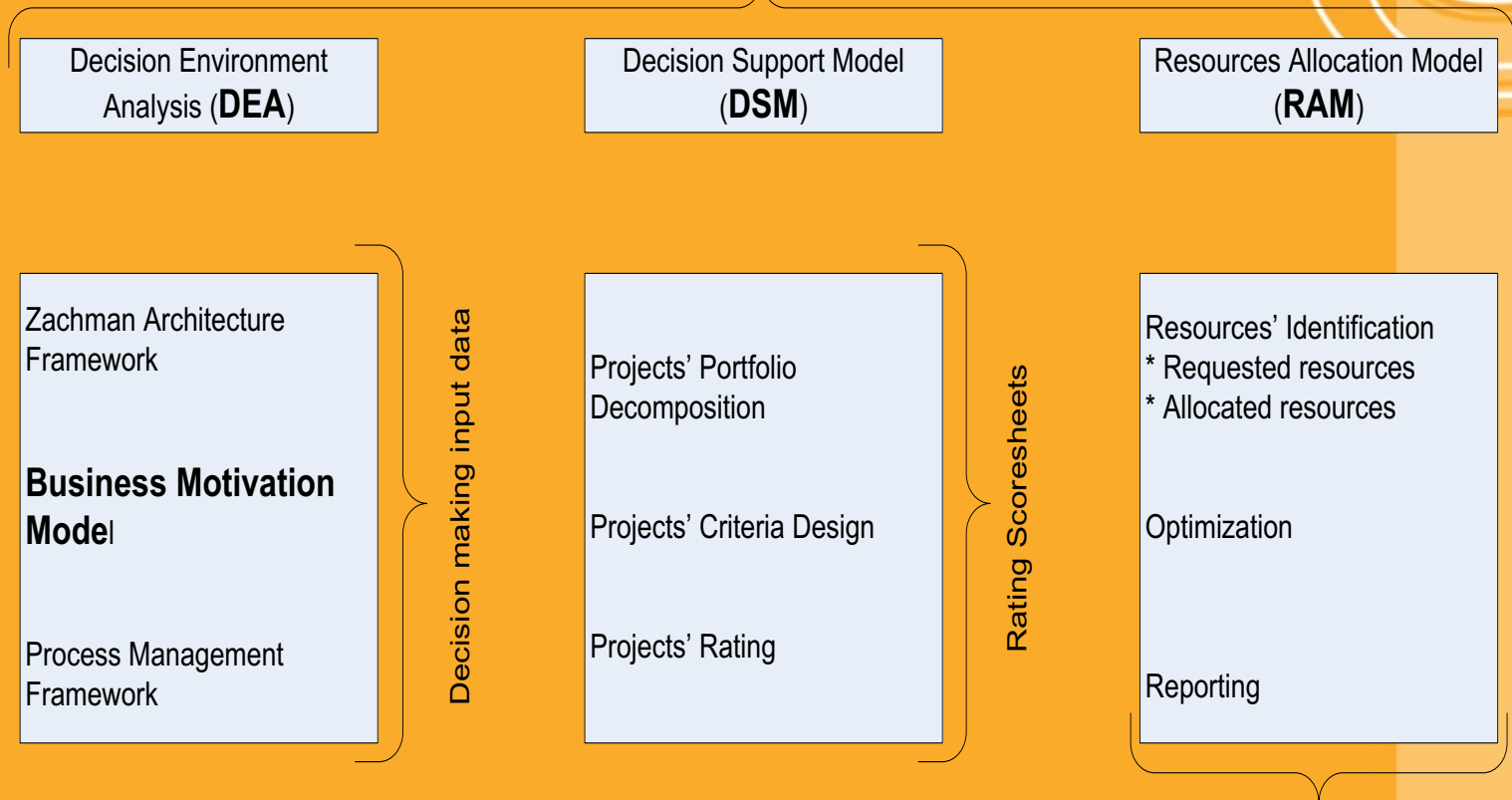


- 1. Matrix of the key components**
- 2. Detailed key components specification**
- 3. Zachmann Framework - Decision Environment**
- 4. Process Management Framework**
- 5. Business Motivation Model**
- 6. Business Motivation Model and BOCR**
- 7. BOCR and Decision Making Structure**

1. Matrix of the Key Components



Organization Unit (Government, ministry, department, section)



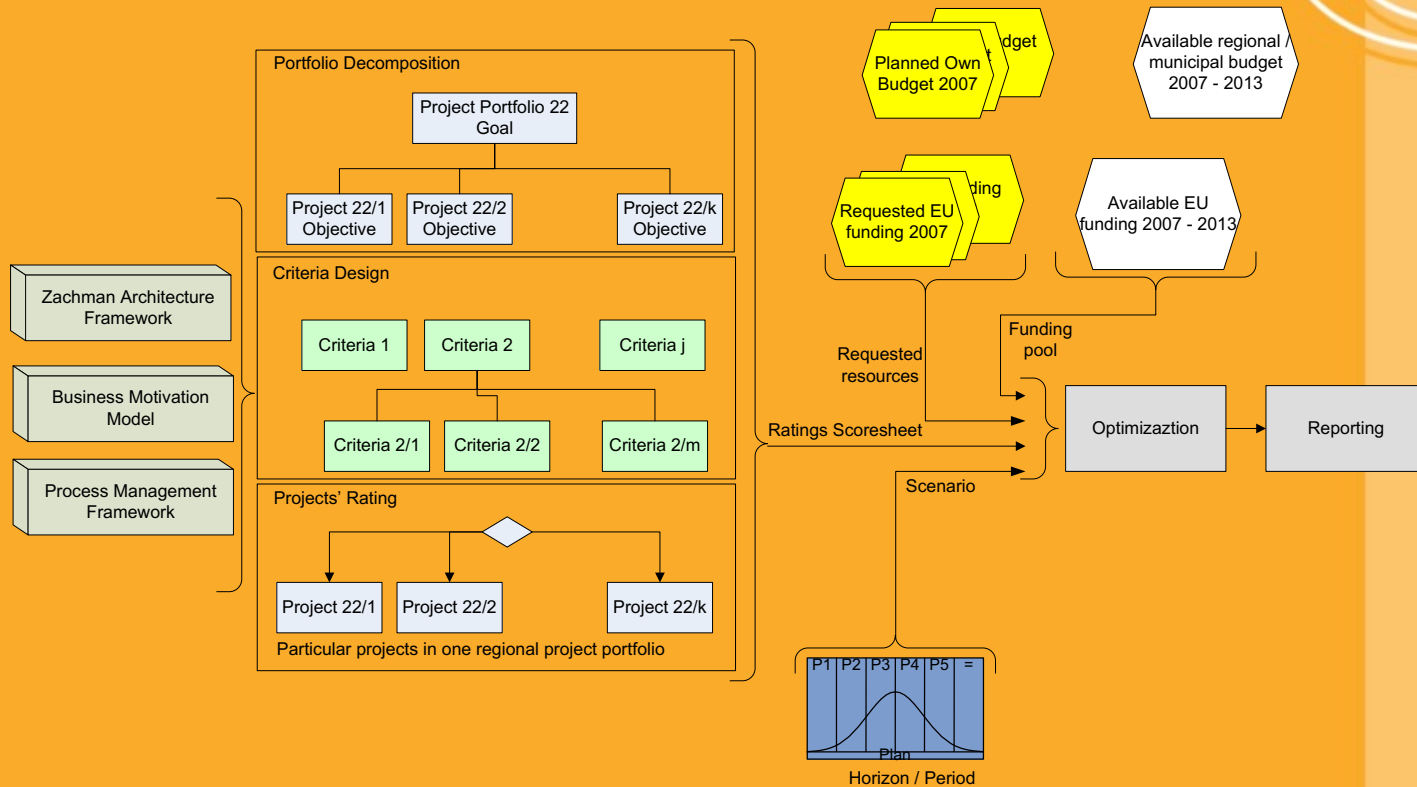
2. Detailed key components specification



Decision Environment Analysis

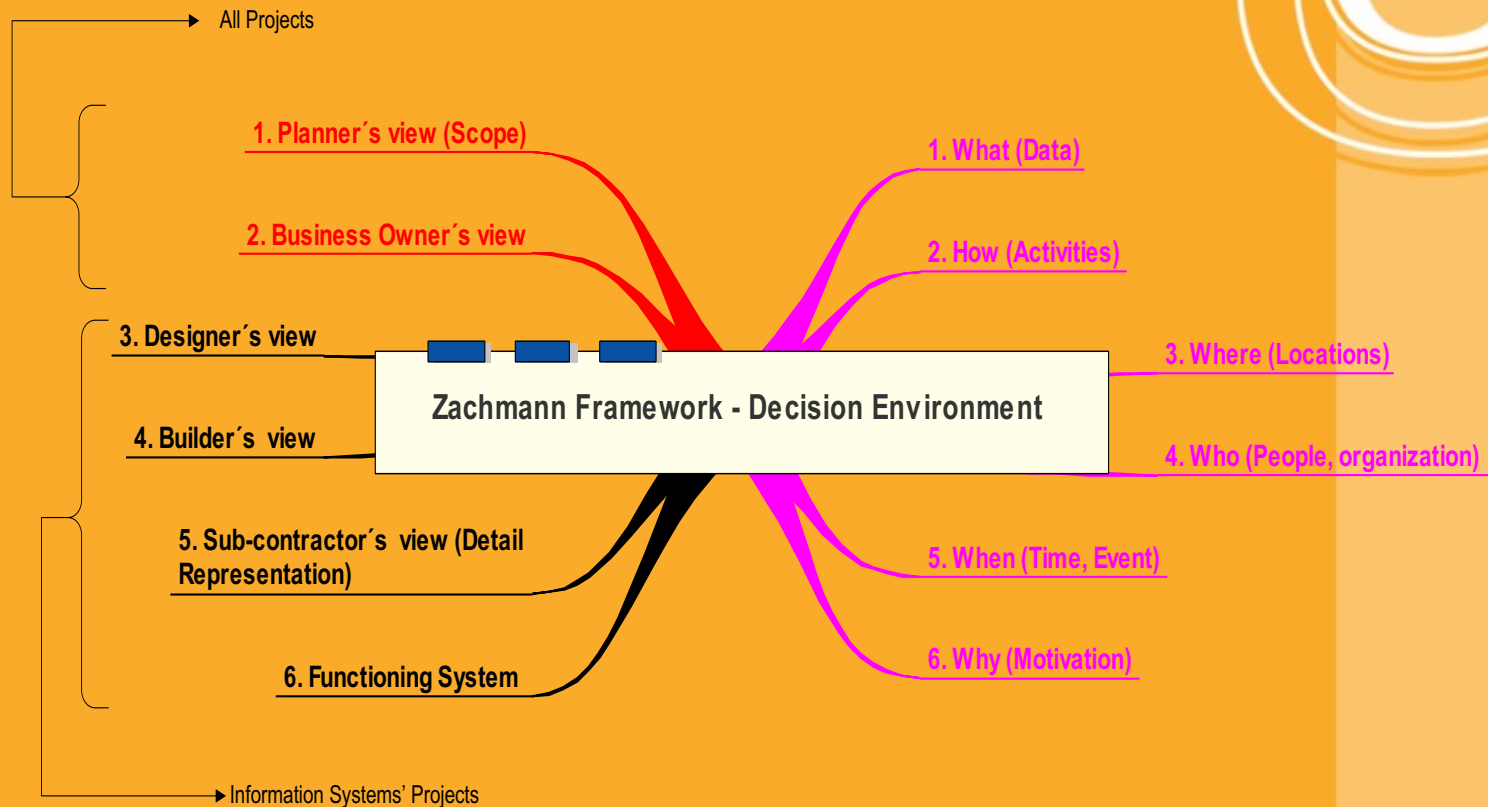
Decision Support Model

Resource Allocation Model

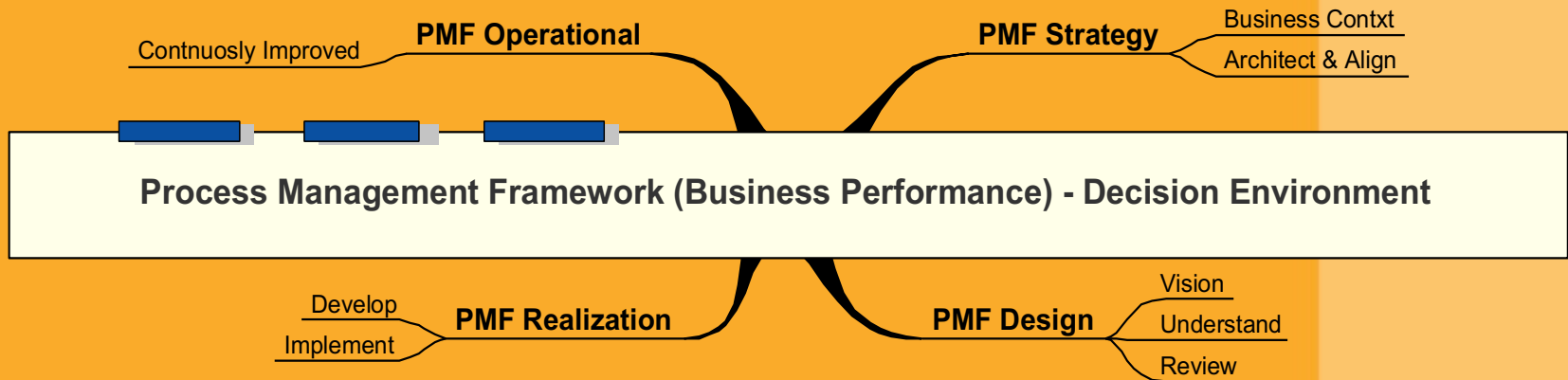


3. Zachmann Framework

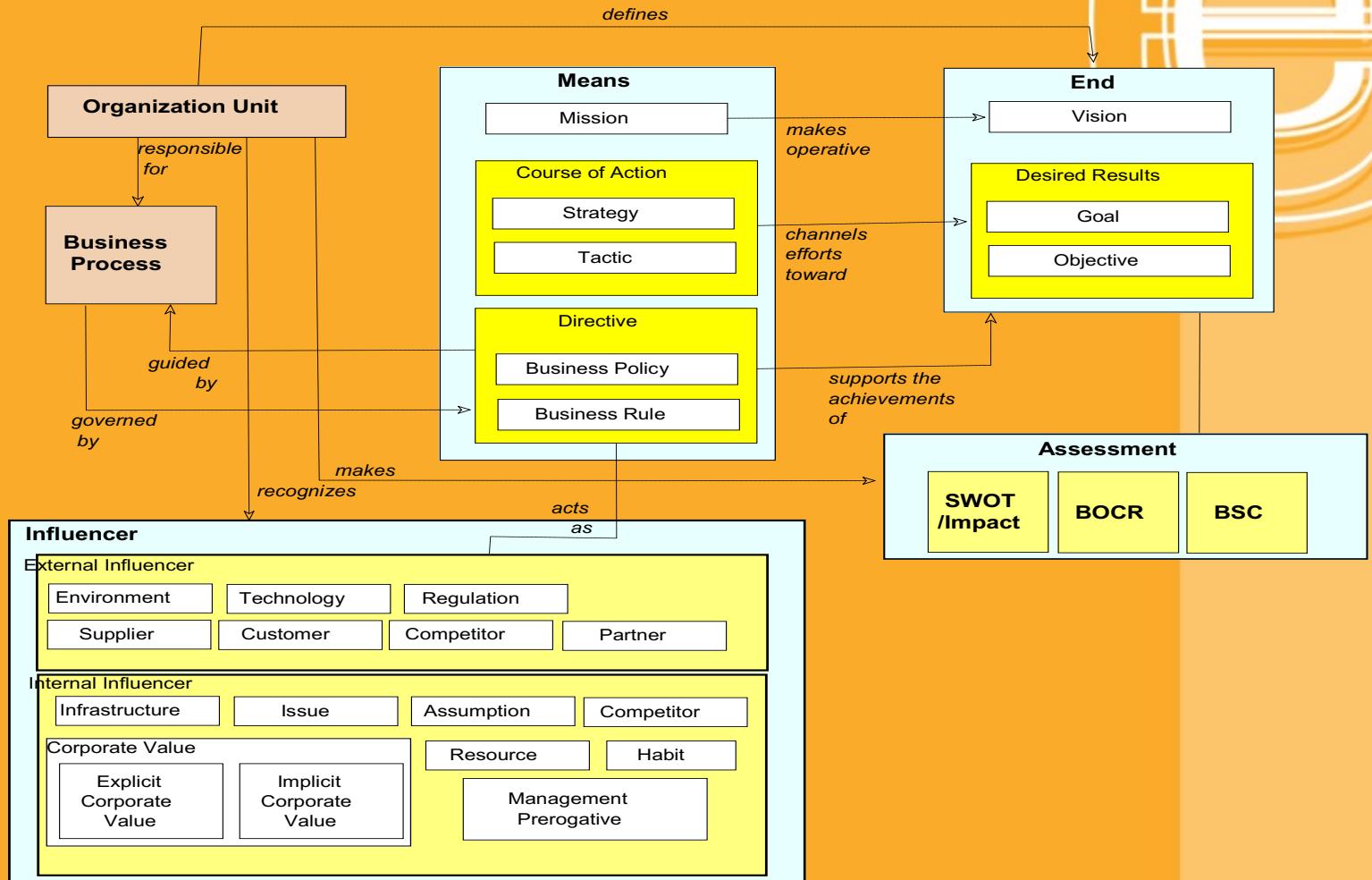
- Decision Environment



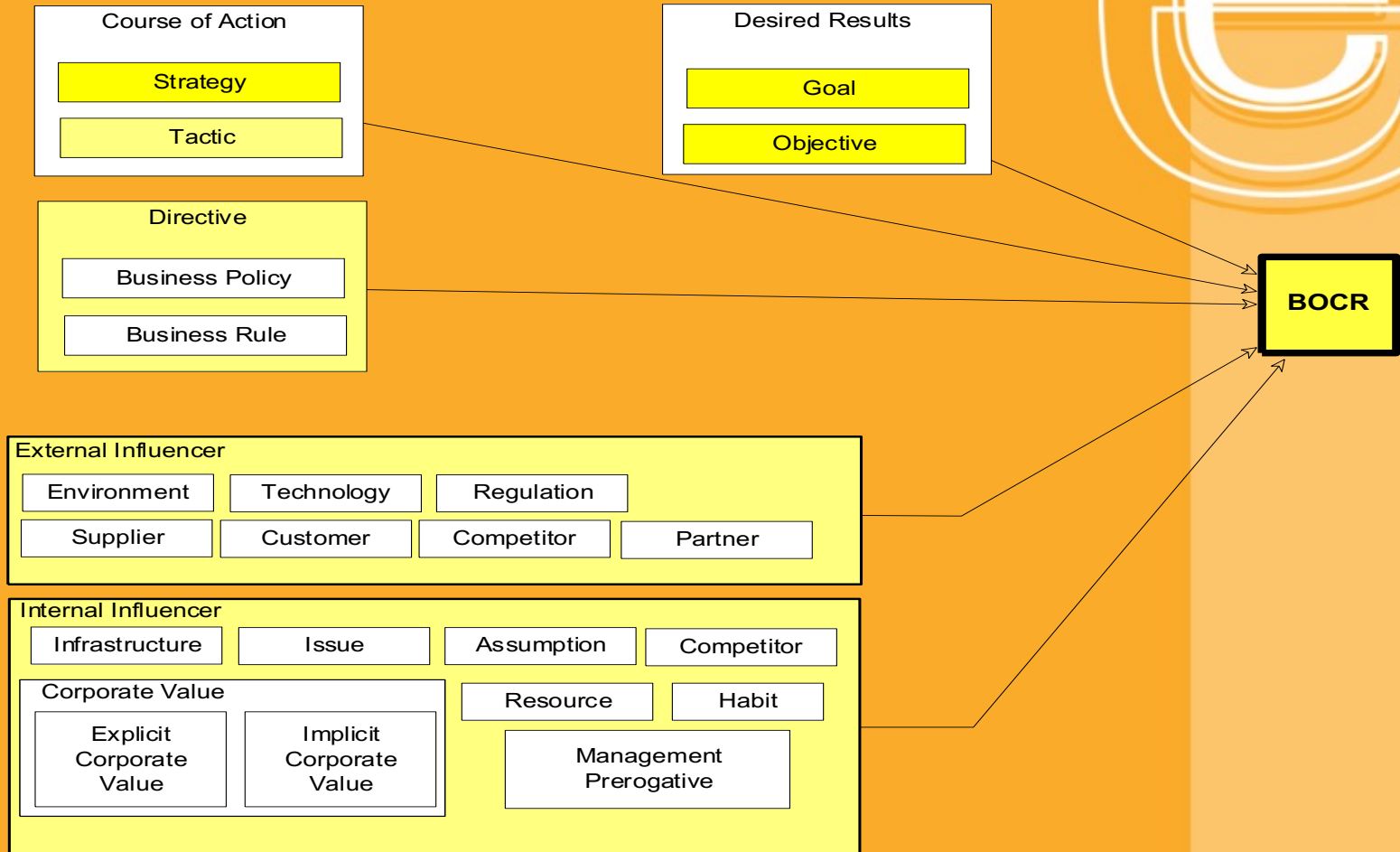
4. Process Management Framework



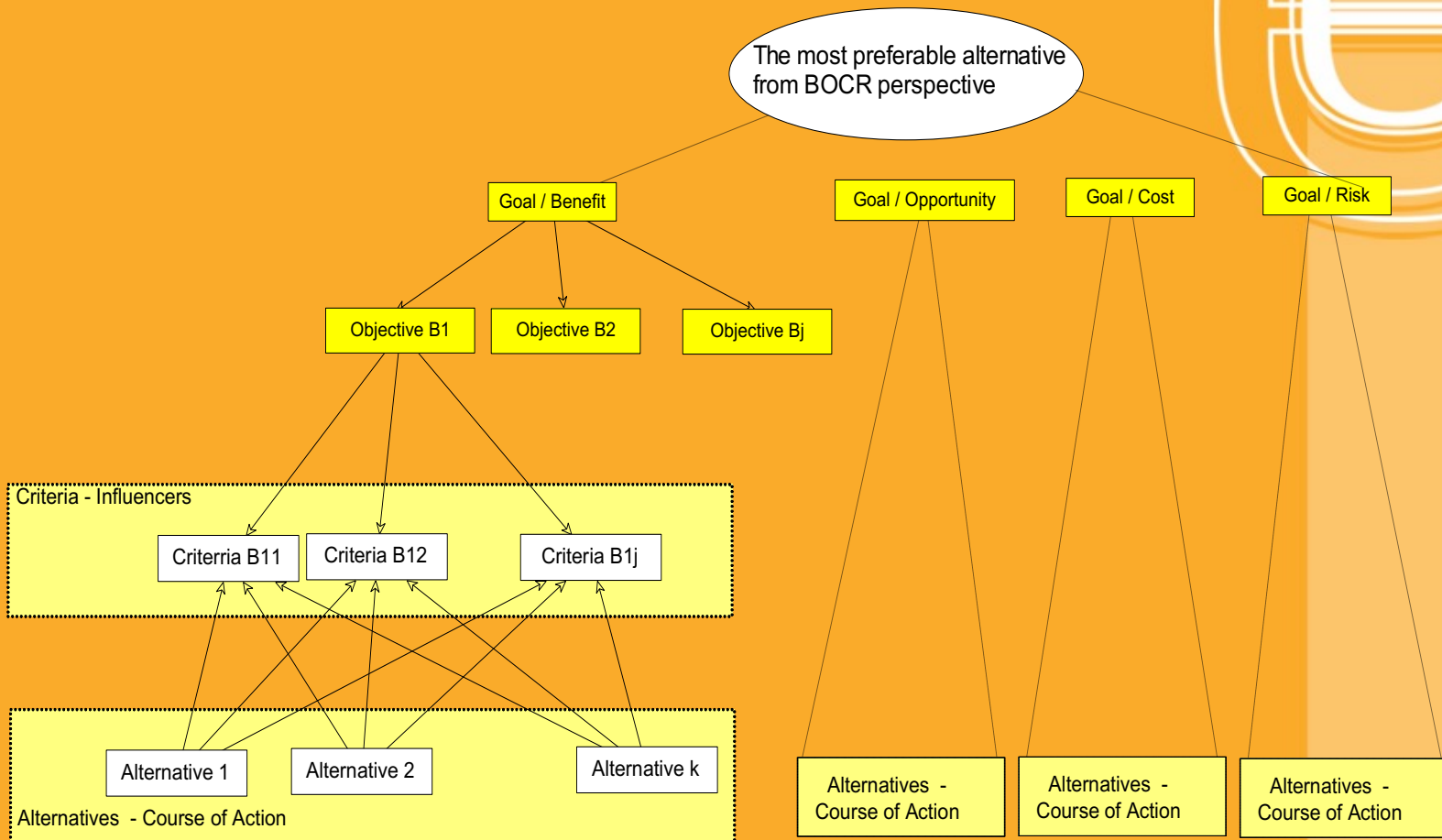
5. Business Motivation Model



6. Business Motivation Model and BOCR



7. BOCR and Decision Making Structure



8. What are we offering?

Serbian – Czech Team base development for:

- **Budgeting Decision Processes Identification**
Twinning projects on Ministry of Finance
- **Cooperation on a Case Studies Development**
BMM – Practical training and Decision Making Process for Project Pipeline Management
- **Revolving Fund Structure Development**
RF Development for Serbian Structural Development (Water Infrastructure, Brownfield's)
- **Technical Assistance for a Serbian Municipality**
D²R (DEA, DSM, RAM): Project Fiche Development, Project's Portfolio Decomposition, Criteria Design and Rating, Resources identification, Optimization and Reporting

Conclusion

Can we discuss a sample of the next steps on the way of our cooperation?

- 1.**
- 2.**
- 3.**

**Thank you for your attention
Zdenek Chalus**