

## **Daughter is 30 and Father 60**

*Jana, I see a beautiful, mature woman, with 'sports body and mind' and I am looking forward our 'dialogue of substance'. How you like it at work? Dad, concerning that dialogue of substance: You never give up on that, right? I will not, I said: Please, you start. OK, she said. What I do? I conduct dialogues of substance with my colleagues at work and clients, always on a specific topic with the objective at first carefully analyze the subject of common task. To do so from various views, gather arguments and prepare for situations where I have to make decisions. I am project manager and the goal of our company is to bring into operation the first SPC Utility (its revolving fund and other instruments). I am glad that I can work on something you started. Now we have new technologies for planning, communication, and financial control available. We support free trade of goods, jobs, and services. In the current ICT environment it is possible to develop competitiveness and trust of our clients with democratic vote for purposeful and efficient projects (using tendering, mentoring, evaluations, audits). Our university supports teaching financial engineering and enterprise architecture. Dad, do you know what is the most effective measure for a long-term establishment of internal financial control in companies and organizations? In real life, it is a direct knowledge support to acquisition and franchising projects for local micro, small and medium size enterprises (MSME). Provinces are accepting healthy effect of WEMAF drivers and they realize that SPC Utility is helping them to keep money at home, that it helps maintaining social peace in a community. Jana, that was a nice introduction, please start.*



## **Society**

Jana started with definition. Society is a group of individuals that is characterized by their shared interests in a given territory (where they live), in organizations where they jointly manage their lives (public sector), in enterprises where individuals or various groups pursue their business interests (private sector). What is society usually missing? An integrator, the capability to orient itself in its own matters. What is these days, from the system engineering standpoint, missing is an enterprise architect and financial engineer (creators and protectors of life in a society). What is not missing are lawyers, sociologies, and psychologists.

## **Innovation**

I agree. But what does the target group think about that? Isn't 'family' or 'entrepreneur' just too broad definition? Dad, I also thought that before we got first experience with WEMAF drivers. What is important is a clearly set forth the goal. Then people themselves seek paths how to get to the goal and demand for "creators" of life in a society is created (how to prepare for intended changes, how to set things up and maintain them over time). The fact that money is needed for that is something investors and even speculators know about as new opportunities always invigorate thieves. All of them are preparing for being successful. To minimize chaos and implement order into financial flows is task of financial engineer.

## **Legal Environment**

This is a parallel to water flows. One can direct them sideways, one can steal from them. But without in advance adopted framework of (legal and specific technical) rules it doesn't work. Yes, Jana said, without rule of law it doesn't work. One can't start solving a task as the system as one must take out its mainframe structure first. Get to know it, return it back into the system and only then learn about the system as the whole. Step by step, in multidisciplinary cooperation, in one, common and properly structured legal environment. But such legal environment must be open to changes which are being brought up by advances in human knowledge. An example might be a wonderful progress in healthcare.

## **Minimization of Loses**

But it is not easy, Jana continued. While we are being reminded about life in families and organizational and legal conditions for business, as they have been for millennia time proven and as novels, movies and even expert studies remind us of them ... evidence for that is obtained indirectly as some kinds of fossil artifacts or random findings. Fortunately, we find more of credible data in genetic makeup than in memory of individuals (for example, in growth of life expectancy). Therefore I think that cooperation between developed and developing countries (implementation of best practices) should take place in two steps: At first as an organized group activity, and only after that, at new quality level, on individual basis, in decentralized way.

## **Financial Environment**

Jana, that's true, it was always a two-step process. For example, during colonial era, the first step were Christian missions and getting to know each other and only after that individual trade activities started to develop. Today, everything is more visible, everything is accelerated by media and telecommunication. Illegal trade activities can be more easily uncovered and traditional thieves no longer have that many opportunities. But the situation at financial markets is different. Illegal trade and speculation in world of finance flourishes so much that it even overshadows human labor in

building value. Nonetheless, even today we find family dynasties; tribes or religious communities which try to regulate or even punish excessive or unjustified profit.

### **Financing**

Dad, I spoke about two steps only because I wanted to emphasize that trade within WEMAF is a necessary pre-condition for global environment so that free trade, as it developed over the history can continue. To boost trade with speculation, expansion of number of consumers (for example by immigration) or inflating buying power (by expansion of credits or giving money away) is a route to hell. There is a hope that in history we find projects which were able to solve societal (financial) crises with work, employing people and maintaining their ability to work, live in the way they remained loyal to the society in which they happened to found themselves..

### **Investments in Harmony with Nature**

Benjamin Graham wrote: "Investment operation is such operation which – after a thorough analysis – promises safety of investment and reasonable profit. Operations which don't meet these conditions are speculation". Jana, this is definition of social peace. Maintenance of long-term investments and reasonable profit. In that context I like to remind us of three analyses connected with nature (common sense in practice). The first one is from American Indians before Columbus (synergy in growing basic foodstuff: corn, beans, and pumpkins). Second one is from China (analysis of extent of agricultural activities and short-term and long-term yields). Then the third example is from ancient Greece (analysis of yields from olive groves in the spectrum of three generations).

### **Speculation and Investments**

In history of families and entrepreneurs (i.e. our SPC target groups) investments look simpler than one might think if using the current and complicated financial analysis. But the current market economy would collapse without speculation playing its role as all economic activity is based on achieving profit. Speculation thus contributes to price stabilization and optimization. How you see that as far as – especially long-term - investments is concerned, I asked Jana. The good question and the unambiguous answer, and Jana continued: without a well-prepared project you either lose money or a competitor will take away from you such investment. You have to pay with elbow grease; you can't rely only on speculation. Preparation is a decisive factor.

### **ICT and Fintech**

An investment is an outlay aimed at future yields. It is an assignment to fulfill commitments including monitoring liquidity of financial flows all the way to the final financial settlement. Jana, by this you just reminded me of the origins of Fintech. ICT opened the market with innovations in banking services; they discovered new opportunities in payment systems. Today we find Fintech in preparation and implementation of project cycle including monitoring of parameters (following objectives of the project) and indicators (profitability of the project). Financial engineers support communication among teams involved in projects and benchmarking is a common part of project documentation.

### **Project Portfolio**

Dad, our company stands on competitive itemized budgets. They determine financial and time commitments and quality control and project risk management are tied to them. I remember well what you were telling me that in the past it was exactly the opposite. Budgets were routinely exceeded, deadlines were pushed back and judicial litigations had no end. Today, that wouldn't be possible. We are not only responsible for individual projects but also for the entire project portfolio. Strategy and business plan call for coordination of my team with investors as well as with end users of the portfolio. Today it looks like something obvious and common sense but I understand that it has been a long and not easy path of getting where we are now.

### **Revolving Credit Fund**

I am glad, Jana said, that the requirement to keep money at home became part of activities investors do. Investments into WEMAF infrastructure were the first right step. It helped competitiveness of

local entrepreneurs by opening market environment. I remember that you were telling me about first experiences with revolving credit funds. Even at that time it was not just about technical issues. It was obviously necessary to generate demand, especially among the population in provinces. The path through public hearings and anchoring of conclusions obtained from them into documents such as Citizen's Charter was clearly the right one. Who else besides the local people should have demanded this financial service?

### **Task**

Our task was to propose and put into operation SPC Utility. Participating parties (including local and central government) understood the assignment and we (our company) were thus able to get into preparation of the required documentation. We defended the output of our work before the public and we were conducting personal negotiations. That helped us to obtain a clear structure as what we have to do. We built a strong team (Task Force) which was responsible for preparation and implementation of the SPC Utility project, including hiring people. After we gained support of the locals, everything went smoothly. Fortunately, our company is not getting into projects in clusters (large projects tied to a particular location outside of a given province).

### **Universities**

The issue of human resources was a separate task. We were working with local universities. They are interconnected with global educational system (100% over internet) and what pleased me was their readiness to adopt training in the field of "Enterprise Architect" and "Financial Engineering". We are still seeking ways how to get into subconscious mind of middle schools and the public. In cooperation with local government we found financial sources for independent educational system. It is a combination of marketing (advertising) and personal contacts (work done by Information Center). Communication is in local language and English.

### **Capitalization**

Jana, that's wonderful! Program of support of human resources became an example of public private partnership. To pay attention to human resources is not the subject of interest just for the company (our SPC Utility) but also the province (the entire public and private sectors and NGOs). SPC Utility focuses on generation of profit but in the way that payments for services offered by WEMAF are capitalized (substantial share of profit is reinvested) via other projects in the province. It teaches citizens to be private investors in the SPC Utility and to work with local banks.

### **Urbanism**

Ok, dad, but this is a standard role of a utility company and local infrastructure, as it exists around the world. It's true that SPC Utility offers something like "returning to the roots of capitalism" and in an environment where those good old roots might well catch up. Where people live in a fog of prosperity and a dream of four-day workweek and monopolies strengthen protectionism, SPC Utility might have a problem. On other hand, where labor, performance and quality are still connected to individual effort, its chances are quite good. Especially urban areas and countryside in developing countries need new approach to urbanization and the WEMAF drivers of local infrastructure represent a great opportunity.

### **Architecture**

Jana, free market activities of local population create quality of life. Global trade calls on all cultural groups to cooperate in friendship and in hostility, following human relationships that we didn't know yet. Especially the developing countries need to find new approach to urbanism (including renewal of infrastructure after wars or natural disasters). For whole millennia people built houses and their roofs to protect them from rain, wind, and sun. When solar panels appeared on market an impulse for new architecture arrived. "Solar panels on roofs, lent out or owned, with the capacity to generate electric power on one's own."

## **Financial Discipline**

It is a strong synergetic impulse. Today it is difficult to estimate in which direction the housing architecture might move. How individuals (both owners and tenants) in buildings where they work or live and at the same time produce electricity, will react. It is more obvious issue for people who use their real estate for enterprising as they need to protect their property (such as solar panels) against thieves. It is also clear issue for government and broader legal environment as how to address financial security and financial discipline locally. The SPC Utility will set up standards for internal financial control and internal audits for WEMAF drivers and it will – though them – influence quality of financial literacy of people in the province.

## **Development and Survival**

In SED and DRR projects, financial literacy is a precondition for success. How successful those projects are depends on a long-term stability of revenue flow from services provided and growing profits of a utility company in given location. Our utility creates and reinvests profit exclusively within the province. We are able to do that while Fintech technologies are helping us (in regional development) and in implementation of the current ICT. Jana, those are neat results, but let's one more time return to details. Of course, at strategic level. Tendering, impacts of contracts (for example franchises for the MSME network), monitoring of implementation and evaluation of projects are also tasks done by the SPC Utility. Let's spend on them a bit more time.

## **Tendering Process**

Allow me some reflection. I have been always telling myself that the way the tendering process is done is a mirror image of the stage the democracy is. Anywhere in the world. It is about rules of the game where everyone who is taking part should be a winner. As it is in sports. You sign up for half-marathon, but you have honestly made it all the way to the finishing line. That is a well understood criteria. Demanding task calls for well-prepared participants. The first one gets a great glory, the last one very little. It is up to race organizers to manage the event according to in-advance known rules. I am very glad when I hear this from you that your company perceives injustices in public tenders as a burden which can be removed.

## **Contracts**

Surely, it can be done, Jana praised herself. Responsibility for public resources should be resting with an investor (for example, a mayor) and not with a supplier (say a waterworks utility). With project portfolio, corruption has very little chance. Everything is prepared in project preparation stage, down to the necessary details. What's deciding factor is usefulness and efficiency of the portfolio. I know that in the past the legal requirements for public contracts – perhaps unintentionally – protected corruption with provisions that the lowest bid always wins. Then corruption continue via “soft” contracts with suppliers (with changes in deliveries, prices, deadlines). An ongoing control was missing and high enough, effective sanctions.

## **Monitoring**

Jana, what is – to you, today – the Fintech? Good question. It is synergy of ICT application (for example, IoT via Clouds) and financial engineering (especially internal financial control and audit). Today, Fintech supports not just payment interface but also monitoring of purposefulness, efficiency of investment. Jana, when I listen to you I realize that our pioneering work in implementation of monitoring into public finance was not in vain. You confirm to me that knowing the processes and being able to have the skills required by application of new tools are the way to go, they are the lighthouse to watch for regardless if it is in public, private or non-profit sector.

## **Evaluation of Results**

What's important are the results. That's where the set forth parameters and indicators in output of the evaluated project play their role. The objective is not just data collection. I recall a meeting in Africa where a bureaucrat in a local government opened a cabinet and said: “See, sir, all the studies, aging data and unsupported information.” We don't want that anymore. We need well-prepared projects. He was right. Jana, how you evaluate results of your projects? We have nothing else available than what

that bureaucrat had in that cabinet. The difference is that the set-forth parameters and enumerated indicators are in distributed network (the database) for permanent benchmarking of our competitiveness.

### **It's Time for Conclusion**

Jana, it's so nice that you're doing well. Please tell me your opinion on art, in general. Dad, again a good question, there is no need to talk only about job. The arts generalize, offer abstraction, and inspire. It is a paradox that when times are not good, quality of artistic production increases. When the situation is too comfortable, arts are getting dumber. An example: when there is an unrest, jokes are popping up, beautiful music is created, excellent books and movies. In tranquil times it seems to be the other way. Is it a reality or the future, I asked? For sure it is reality, and what I would add for future? Closer link between arts and a value of hidden human "databases" that he/she has. It's terrible when you realize how many books, new movies and new multimedia carrier exist and how broad range of arts are available in music, painting, sculptures, and how little of joy this wealth actually brings to humankind, mainly in the current confusion of the globalization. What I mean by that? Let's start doing something. What about start with a humorous performance of bureaucrats from Africa and EU experts, I added something that came out of my experience. For example to introduce a comedy "How to revive dead feasibility studies into profitable projects". Directly at a Gala Show at European Parliament. We all need more fun, more jokes, and more shared joy among people in this world. Thank you for the nice time with you. You still have the right spark in your eyes. See you in ten years.