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Strategic Governance and the Czech Republic

CHARLES UNIVERSITY IN PRAGUE
KAROLINUM PUBLISHING, 2009

CHAPTER 2, pp. 64-81, 160-163

STRATEGIC GOVERNANCE IN THE CZECH REPUBLIC AFTER 1989

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The issues of strategic governance at the level of central public administration are subject to the stable interest of scholars and international organisations. Their analyses and reports stress the urgent need to develop and strengthen the strategic dimension of governance.

2.1 Background

This chapter is based on three examples of documents from scholars and international organisations. First, we will discuss a fundamental report on governance adopted by the European Union in 2001. Then we will mention the address of Yehezkel Dror to a high level meeting on “Capacities to Govern in Central and Eastern Europe” (Prague, December 2003). Finally, the conclusions of an international conference on national visions and strategies (Seoul, 2002) will be examined. Using this background, we will suggest and apply a set of criteria that comprise the key conditions for efficient implementation of strategic governance.

The European Union’s fundamental document on governance in the EU (European Governance 2001) focuses on identifying long-term goals, strategic planning and reporting, and ensuring mutual coherence among various public policies. The European Commission stresses the importance of consultations with stakeholders who take part in policy implementation. It points out the significance of the EU’s horizontal policies such as Freedom, Security, and Rule of Law (Tampere 1999) or the Lisbon Strategy (2000) with an additional environmental pillar (Gothenburg 2001). In 2002, the Czech Republic committed itself to pursuing the goals of the Lisbon Strategy by increasing its economic competitiveness, raising employability and employment, supporting the knowledge society, strengthening social cohesion, and raising environmental responsibility. Following its EU accession in 2004, the country received yet another strong incentive for preparing strategic documents – the possibility to draft large amounts of money from the

EU's Structural Funds (see Chapter 2.3).

The next voice will be given to a renowned expert in the field, Professor Yehezkel Dror. At a high level meeting on "Capacities to Govern in Central and Eastern Europe" (Prague, December 2003), Dror mentioned the following requirements for a successful application of the strategic dimension of governance:

- the existence of political will to engage in deliberate and wellconsidered future influencing efforts,
- democratic and stable power concentrations – strong executives, 9
- public and elite issue enlightenment – in order to have gather democratic support for future-directed choices,
- public, governmental, social, and intellectual creativity and innovativeness directed at main long-term policy issues,
- outstanding implementation ability of innovative and frequently difficult-to-actualise policies, 10
- moving routine tasks to other levels of governance, market processes, or civil society actors without abandoning essential future shaping strategic direction, and
- building up top-quality central governmental "strategic brains" (Dror 2004:17).

Finally, we should acquaint ourselves with the conclusions of an international conference on national visions and strategies held in Seoul in 2002 (Chung & Park 2003). The participants agreed that identifying long-term goals and the necessary strategies for achieving them was as necessary as ensuring efficient communication among key stakeholders of the proposed strategies in order to build a national consensus on difficult political decisions.

Based on the three aforementioned contributions, we recommend the following key conditions for efficient application of strategic governance in the life of global societies, summed up in the following table:

9 Dror notes that constitutional reforms are sometimes necessary to fulfil this condition.

10 Dror notes that public administration reforms are frequently necessary to fulfil this requirement.

In consideration of the above conditions, the next section will recapitulate real events in the field of strategic governance in the Czech Republic after 1989.

2.2 The development of strategic governance at the level of central administration

The lack of conceptual preparedness of the new political, economic, and intellectual elites resulted in a loosely controlled and somewhat misguided character of the Czech social transition after 1989. Logically,

tactics were preferred from strategies, flexibility from rules, and improvisation from order. The political scene as well as public opinion quickly began to differentiate in attitudes to the necessity and role of strategic governance in the society. A majority attempted to present improvisation as the necessary strategy, while a minority was convinced that important values were at stake if the society did not have rationally defined goals in the long run. Unfortunately, members of this minority were far from being in agreement on these social goals, the ways to formulate them, the actors that should take part in the process, and the methods of implementation of the defined goals in real life. However, a consensus evolved, at least among reformers in the government, that priority should be given to economic transformation. The pillars of this transformation were in reaching macroeconomic stabilisation after price liberalisation, opening up to free trade, fiscal reform, and gradual privatisation supported by an accelerated privatisation of the state assets. Washington Consensus's inspiration (i.e. by the principles of transition recommended by the World Bank and IMF) was very important here, even though it was absent from the plan for privatisation.

Table 2.1: Key conditions for the application of strategic governance

Strong political support for strategic governance.
A strong and stable government which is not overloaded by routine tasks and has the necessary administrative capacities for implementing strategic decisions efficiently The general public and independent experts are aware of the importance of strategic governance and support it.
The existence of creative research capacities for future studies.
The existence of a top strategic brain trust at the level of central government.

The fundamental issues that concerned the microeconomic behaviour of economic agents received much less attention until after the political changes in 1997. Conditions for promoting and applying strategic governance immediately after 1989 were thus quite unfavourable. However, the times were rife for coming with strategic choices, whether in setting the rules and institutions for the emerging market-based economy, in changing the rules protecting ownership rights in the country, in developing new welfare state structures, in reforming the public administration, or in reviving civil society. Only two leaders, Federal President Václav Havel and Federal Minister of Finances Václav Klaus, articulated relatively clear, yet conflicting, visions for the Czech society.¹¹

¹¹ See Potůček, 2000.

With progressing transition of the society, both objective and subjective conditions for strategic governance were subject to change.

The following stages of the development of strategic governance in the Czech Republic after 1989 are based on the evolving composition, competences, and political orientation of the country's top executives. With the exception of the 1997–1998 political crisis, each stage corresponds to the respective period of office of the different Czechoslovak and Czech governments.

The first stage (1989–1992) began with an eruption of civic participation which found expression in the interesting yet short-lived Civic Forum's Programme Committee. The committee prepared a program for the Civic Forum's campaign before the first free general elections in May 1990. After the elections, the new Czechoslovak Federal Government felt the need to develop strategic solutions. Following difficult negotiations, it adopted the Economic Reform Scenario and the Social Reform Scenario. These two documents set the country's direction up until the following parliamentary election in 1992. The Economic Reform Scenario included a Privatisation Strategy, which was dominated by the highly original and highly controversial voucher method. With deepening differentiation of the political scene, strategic goals began to be seen as necessary compromises between the pressures of different actors. In its practical operations, the Federal Government limited the strategic dimension to adopting the two aforementioned strategic documents. We can demonstrate this lack of strategic efforts on the de facto nominal existence of the Federal Ministry for Strategic Planning, which hardly used the one-and-half years of its life span for anything more than self-advocacy. The reasons did not lie in the ministry's incompetence but in the fact that strategic decisions were, rather intentionally, prepared as compromises in other echelons of the political scene. The first stage was characterised by low political culture in which dialogue and compromise were perceived as signs of weakness or, in the best case, as necessary evil. These attitudes often resulted in a political stalemate. The period ended with the dissolution of Czechoslovakia on the last day of 1992.

The second stage (1993–1997) can be characterised by the slogan "victory of ideology" in searching for societal goals. Goals were derived from a priori ideological schemes as necessities that were excluded from meaningful social dialogue, and instead, were to be merely advertised for. The Czech government's rhetoric was dominated by the ideology of neoliberalism, while the discourse of almost all, including non-liberal, political forces was similarly ideological. Goal setting based on ideological world views was accompanied by three effects on strategic decision making: (1) goals were set as a "logical norm" dictated by ideologically conceived objective laws, (2) the assumed automatism of goal realisation, and as a result, (3) serious discrepancies occurred between societal goals and the demands of real life.

Research of policy formulation and implementation in the 1993–1997 time period confirmed that the public administration continued to function in a centralised fashion. This means that decision making in a top-down hierarchy of the public administration retained its importance. The government mainly focused on economic goals while limiting the part of non-governmental actors in decision making and the making of strategic choices. The latter aspect was similar to the period prior to 1989, except that there was an inverse dominant ideology.¹²

12 See Potůček, Purkrábek, & Háva 1995, 1996, Purkrábek 1996.

For **the third stage (1998–2002)**, efforts to use expertise in the development of strategic goals for the society were characteristic. On one hand, these efforts logically followed from the previous period of strategic goal setting through political compromise and ideological deduction. On the other hand, they were also based on a revival of the remaining capacities of the pre-1989 forecasting expertise.

The 1998 programme declaration of PM Zeman's government was the only case in the post-1989 Czech history when the government not only declared strategic goals (a society of knowledge, participation, and solidarity) but also acknowledged the necessity to coordinate those strategic goals by strengthening the strategic way of thinking and governance and to support it with sufficient analytical and forecasting expert capacities under the aegis of a development vision for the entire society. As the first step, the Government Council for Social and Economic Strategy (GCSES) was set up in 1999 as an advisory body for the government. The GCSES represented an effort to give a solid organisational form to strategic governance and to coordinate socioeconomic processes in Czech society. The Council's mission was to support strategic governance at all the appropriate levels and, in particular, at the level of central administration.

The GCSES commissioned the preparation of mid-term strategies for each ministry. Subsequently, two mid-term conceptions of the Czech Republic's social and economic development (2001, 2002) were prepared and formally recognised by the government. The Council organised numerous working seminars in order to discuss issues of social and economic development, and in particular, horizontal issues that cut across the scope of responsibility of several government bodies.

From its inception, the GCSES did not constitute an authoritative government body for societal development strategy capable of coordinating this strategy with the strategies of individual regions and ministries, taking part in their implementation, and co-authoring corresponding legislative proposals. Instead, it formed a mere advisory body to the government, which prepared social and economic analyses, formulated long-term development visions, and studied the strategic impacts of the government's decisions. Thus, as a discussion and study

forum, the Council had no ability to influence the actions of the central government's ministries and the emerging regional administrations. Apart from the GCSES's weak formal position, a further weakness could be found in the fact that it was not sufficiently prepared to control the broad scope of activities that were assigned to it. Strategic governance stood—and continues to stand—before three interconnected tasks, each requiring different solution methods, different institutional and legislative background, and different groups of actors.

The tasks are as follows:

1. developing legislative proposals for the system of strategic governance,
2. preparing long-term visions for the social-economic development of the Czech society, and
3. providing methodological guidance for and coordinating the contents of mid-term strategies.

The GCSES attempted to work in all three areas yet identified the need of a narrower focus through trial and error. The first task was dropped after the Council's Secretariat forwarded a draft intent of a law on strategic planning to the government. The government found the draft proposal premature and the GCSES ceased to work on it.

Under the second and third tasks, the GCSES elaborated on its ambitious goal to prepare a Program of Social and Economic Development of the Czech Republic which would include a long-term vision of social development, the corresponding development priorities, and objectives for individual ministries and regions that would form the basis of their own strategies. Logically, the Council focused on the first, visionary part of the task. Unfortunately, work on departmental strategies and development programmes was simultaneously and independently in progress in some ministries and regions. Given its organisational capacity, the GCSES could only monitor these processes, rather than intervene methodologically or influence the contents of the resulting documents. This development was perceived by a majority of the Council's members as a negative departure from existing managerial practice. As a reaction, the Council redefined its mission to be the coordination of mid-term strategies. In this field, the GCSES prepared several summary reports on the strategic intentions of individual ministries. The reports were submitted to the government but resulted in no binding objectives for the ministries. The GCSES's reorientation was confirmed in 2000 by delegating the work on long-term development visions to the newly established Center for Economic and Social Strategies (CESES) at the Faculty of Social Sciences, Charles University in Prague. The CESES began to develop systematic research of the country's future in cooperation with the Council. The GCSES limited itself to the role of CESES's sponsor. Concern with the formulation of strategic priorities for

the Czech society dropped out of its agenda. This meant that the Council, after several years in operation, finally found a narrow role that corresponded to its capacities and legislative position, i.e., monitoring the work on mid-term strategies. However, this choice prevented the Council from becoming a real authority within the administration.

Despite PM Zeman's sympathy for its cause, insufficient political support remained another weakness of the GCSES throughout its existence. The Council continued to receive little attention from the government. Its personnel situation was unstable and between 1999 and 2001, apart from the natural personnel flow, the entire staff was significantly reconstructed three times.

From its inception in 2000, the CESES began to develop systematic research on the country's future in collaboration with the GCSES. Since then, it prepared a series of summary reports (Potůček et al. 2001a, Potůček 2002a, Potůček 2003a, Potůček 2003b, Potůček et al. 2005) as well as sectoral reports. It founded numerous working relationships, both domestically and internationally, and pursued contacts with hundreds of experts. Given the Council's situation, the CESES's cooperation with the central government was – apart from occasional submission of study reports – limited to organising seminars on certain topics for selected experts and members of government. /13

13 May 2001, Koloděje, "Visions for the development of the Czech Republic until 2015". July 2003, Koloděje, "Strategic Choices for the Czech Republic". May 2004, Prague, "How to approach the country's modernisation?". June 2004, Prague, "The competitiveness of the Czech economy: How to support its performance".

Several expert seminars on similar topics were also held by the CESES for the Czech legislature. We should note that there was a strategic initiative that was based on the efforts of organised members of the academia (the "Socioklub"), the legislature (the Czech Senate), and the executive branch of the government (the Czech Ministry for Labour and Social Affairs).

In 2000, members of this initiative prepared and submitted for public debate a working draft of a Social Doctrine for the Czech Republic. It was a strategic document that offered the government's social policies on a much-needed long-term basis and was an alternative to the existing social policies' dependence on actual relations between political powers. After the comments arising from the public debate were taken into account, the Social Doctrine was finalised, published in Czech in early 2002 (Potůček 2002b; Potůček et al. 2001b), and submitted for tripartite negotiations between the government, labour unions, and businesses. Stronger support for the strategic dimension of governance was only partially the result of autochthonous developments. The European Union's pressure and support proved to be a very important factor. It was

within this European context, for instance, that the Proposal for a Reform of Public Administration in the Czech Republic (Návrh reformy 1998) and the Strategy of Human Resource Development (Strategie rozvoje 2000) were prepared.

At the turn of the century, the newly established regional governments became important actors of strategic governance. The regions gradually grew into autonomous political and administrative bodies and started spontaneous efforts to define their role. Many regional representatives understood the importance of a strategic approach to seeking the best answers to strategic questions. The parallel existence of these two favourable factors, i.e. the EU and the regional administrations, began to yield results in the succeeding period.

The stage between 2002–2006 was characterised by a confusive understanding of the nature of societal goals. Not only expert analyses and predictions (typical, e.g., for the EU's strategic documents) but also the pressures of political and economic interests, and, last but not least, ideological postulates influenced the formulation of strategic goals. Although complex strategic documents continued to emerge, they were characterised by limited enforceability. This demonstrates declining interest of political elites on the development and subsequent utilisation of strategic perspectives in practical governance, relative to the preceding stage. Let us take the example of the Czech Republic's Social Doctrine. The 2002 coalition agreement between the Social Democrats, the Christian Democrats, and the Union of Freedom foresaw (Article 3 Paragraph 3) that the coalition parties would discuss the Social Doctrine as a possible long-term guidance for social policy agenda setting and implementation. In reality, this never happened under PM Špidla's government during 2002–2004. A new coalition agreement under PM Gross (2004) did not make any additional mention of the Social Doctrine even though social issues and approaches to addressing them were in the core of its strategic choices.

The 2002 coalition government redefined its strategic orientation by explicitly espousing the concept of sustainable development. The GCSES was abolished in 2003 and the new Government Council for Sustainable Development (GCSD) was founded instead. Although its Statute contained some elements of responsibility for the development of strategic governance, the GCSD limited its practical activities to developing one sole document, the Strategy for Sustainable Development (see Chapter 4.2). This signifies the Špidla government's departure from the preceding governments' understanding of strategic governance as an integral part of decision making processes. One of the reasons was that, in contrast to the preceding office term, the GCSES (and the GCSD since 2003) was headed by a representative of a less influential, liberal-conservative coalition party, the Union of Freedom, rather than a Social Democrat. In 2003, the GCSD began to promote a more participative approach. The aforementioned Strategy for Sustainable

Development and the National Action Plan on Social Inclusion 2004-2006, developed under the Ministry of Labour and Social Affairs, were examples of this trend. During this period, the requirements of the European Union resulted in the preparation of numerous strategic documents at the central government level, in particular, the Economic Growth Strategy (cf. Chapter 4.3) and the National Employment Policy (cf. Chapter 4.6).

The following Table 2.2 summarises the development of conditions for strategic governance in the Czech Republic in the period 1990–2006. As comparison criteria, it applies the set of key conditions for strategic governance as defined in Table 2.1 above. The low political priority of strategic governance has also been characteristic of the period after 2006. Support for e-government or systemic changes of the research and development sector were some exceptions to this rule.

Table 2.2: Characteristics of the development of conditions for strategic governance in the Czech Republic

Stages: Prime ministers: Criterion \hat{e}	1990-1992 Pithart	1992-1997 Klaus	1998-2002 Zeman	2002-2006 Špidla, Gross, Paroubek
Strong political support for strategic governance	Middling support	No support	High support	Middling support
A strong and stable government which is not overloaded by routine tasks and has the necessary administrative capacities for implementing strategic decisions	The Economic Reform and Social Reform Scenarios prepared. An extreme load of routine tasks.	A stable government rejecting strategic governance. Routine tasks prevail on the government agenda.	A strong political will to rehabilitate strategic governance is faced with the lack of competences and preparedness throughout the state administration. Routine tasks continue to predominate.	Support for the preparation of visions and strategies is weakened by the need for coalition compromises. Small majority in the legislature causes weak government. Routine tasks still predominate.
The general public and experts are aware of the importance of strategic governance and take part in it	Very favourable opportunities for informal influence on the government's strategic decisions by some experts.	Constrained civil society. Intellectual elites are divided on the issue of strategic governance.	Constrained civil society. Intellectual elites are divided on the issue of strategic governance.	Growing interest in the civil society. Intellectual elites still divided on the issue of strategic governance.
The existence of creative research capacities for future forecasting	Existing forecasting expertise in the National Economic Research Program, Academy of Sciences (Forecasting Institute) is utilised.	The forecasting heritage survives in the activities of the Czech Futurology Society.	The CESES founded. Preparation of various strategic documents progressively resumed.	Further development of the research base dictated by the need to develop strategic documents in the run-up for EU membership.
The existence of a top strategic brain at the level of central government	No	No	No	No

2.3 The influence of EU Structural Funds on strategic governance in the Czech Republic

The setting of strategic priorities as a means of public governance has been – apart from the Lisbon Strategy goals – encouraged by the opportunity to apply for grants from the EU's Structural Funds. After 2005, strategic planning was implemented in the management of operational plans of the European Funds for 2007–2013 where it included the principle of competition in its procedures for financing education, innovation, and investments. Such a strategy was found to efficiently enhance the functioning of markets because it eliminated the incidence of their imperfections, such as missing markets in the provision of some public goods (e.g. in dealing with the climatic changes or in the build-up of human capital and competitiveness) and opened their emerging mechanisms to competition.

The first plans targeting the whole society as a flat projection, originated as late as in 2004 – the year of the Czech EU accession. The 2004 National Development Plan I (NRP I – Národní rozvojový plán) was launched and coordinated the areas of support from European Funds through national spending and also policies on R&D (see NRP I, 2004). In reality, this plan influenced the real economy only marginally. Nevertheless, it had an important impact on the design of the National Innovation Strategy of 2004 and the National Innovation Policy for 2005–2010 (See NIS, 2004 – Národní inovační strategie ČR and NIP, 2005 – Národní inovační politika). The National Strategic Reference Framework (NSRF) for 2007–2013 was drafted as a reference document for negotiating the development policies with the European Commission (see NSRF, 2007). It followed the indicative visions outlined in The National Development Plan II (2007–2013) (see NRP II, 2006). Both documents are based on the principle of social partnership. In the Czech case, the partnership stresses three pillars of development: the cooperation between governments (central and regional), businesses (now practically all private), and the civil society (e.g. political parties, NGOs and other civic initiatives). In 2006, the European Commission laid down new general provisions for Common European Policies, setting up three funds for guiding the EU policies for 2007–2013: the European Regional Development Fund, the European Social Fund, and the Cohesion Fund.

The Czech Ministry for Regional Development (MMR – Ministerstvo pro místní rozvoj) was in charge of the overall co-ordination between the EU and the national development plans. It was also the driving force behind the preparation of the National Development Plans (NRP) and the abovementioned National Strategic Reference Framework (NSRF). As an illustration, the ambition for a similar power game was exercised by CzechInvest after 2000 and especially from 2004–2006 when its former

CEO Mr. Martin Jahn became the Vice-Prime Minister for economic affairs. Unfortunately (and quite characteristically), the technically and intellectually more elite CzechInvest lost that political battle. Thus, we should not be surprised by the inflation of parallel strategic documents produced in that period.

The NRP and NSRF were prepared by the Management and Coordination Committee (MCC) that was set up by the Ministry of Regional Development. This committee became the most important instrument of the co-ordination through which all relevant public stakeholders were involved in the preparation of strategies for the implementation of the EU Funds. The Minister for Regional Development chairs the Committee and other members include representatives of relevant ministries, territorial self-government (represented by regions, City of Prague, and representatives of the Union of Towns and Municipalities), economic and social partners, educational institutions, and the non-profit sector. Meetings of the MCC were regularly attended by representatives of the Union of Czech and Moravian Production Co-operatives, the Agrarian Chamber, and the Academy of Sciences. These representatives acted as observers. Particular institutions nominated their representatives at a high enough level so that the MCC was able to take part in important decisions. Between May 2005 and April 2007 the MCC met nine times. Nominated representatives of partner organisations were actively involved in the preparation of strategic documents for the 2007–2013 programming period, mainly by commenting on the submitted versions of strategic and programming documents. The comments were presented at the meetings of the working groups. The comments were then incorporated into the relevant documents, subject to the final approval of the MCC.

The partners also took part in the final commenting procedures. One of their main comments was the requirement for the representation of social partners in newly created management and co-ordination bodies for the economic and social cohesion policy, since such approaches have proven to be beneficial in the past. The partners are supposed to participate in the Monitoring Committees and Working Groups of MCC dealing with a solution for the individual questions of implementation. The partners also proposed the requirement of a better interconnection of document analysis, policy instruments, and NRP strategies. Other comments concerned formal or formulation aspects (such as complementation of SWOT analyses, utilisation of updated data, or better formulation of objectives). Many such comments were accepted and incorporated into the document. Further discussion with managing authorities was recommended for all comments going beyond the scope of the NSRF and concerning operational programs in a more specific way.

Co-operation with non-governmental, non-profit organisations proved to be a constructive step. Parts of both strategic documents were designed

(not only reviewed) under the supervision of NGOs. The overhauling of the drafts of NRP and NSRF 2007–2013 was significantly influenced by the non-profit sector. For example, the Centre for Community Work, a union of NGOs, carried out the project of Technical Assistance and the information campaign. Projects of NRP and NSRF also included workshops, round tables, seminars, and working meetings of stakeholders that were carried out in individual regions of the country. A public debate on the NRP 2007–2013 took place in January 2006. A similar public debate on the NSRF took place in November 2006. These documents are available on the website of the Structural Funds and the Cohesion Fund or on other websites of partner organisations, respectively.

The selection criteria for projects supported by European Funds have been a result of consultations with economic and social partners. There have been seminars and trainings organized for applicants with partners. Operational Programmes that are designed as executive instruments at the national level are being introduced to the general public with the help of the partners. Relevant information is also published on web portals of participating NGOs. The list of government partners includes representatives of NGOs, the Chamber of Commerce, the Czech Statistical Office, the Agrarian Chamber, the Union of Towns and Municipalities, the Union of Cooperatives, the Confederation of Industry and Transport, the Chamber of Trade Unions, the Confederation of Employers' and Entrepreneurs' Associations, universities, the Government Council for NGOs, the Government Council for Research and Development, the Government Council for Human Resource Development, etc.

It should be stressed again that the aforementioned cases of planning deal strictly with the good governance practices at the level of government hierarchies only. As a general policy, the private sector (enterprises, NGOs) is not forced by explicit commands to fulfil certain quantitative targets and there are no quotas regulating their output. From the perspective of ideal design, the aim of government guidelines and supporting institutions is to create incentives for more efficient allocation of resources and to minimize the impediments to entrepreneurship and growth.

2.4 The development of strategic governance at the regional and local levels

Since the mid-1990s, strategic governance grew in strength through its application by municipalities and associations of local governments and, after 2000, by the newly established regional governments. A “strategic document” became the typical and, in most cases, the only product of these efforts. No one followed up with the document at the level of implementation at relevant levels of public administration. The shortcomings in coordination did not prevent the interference of shortterm

interests at the expense of concentrating on the long-term objectives. Most strategic documents intentionally refrained from defining their links to the goals of superior documents as well as from setting out implementation through standard instruments of economic and social policies.

Nevertheless, these activities led to numerous cases of improved local governance. They emerged spontaneously, without the interventions of central administration (apart from a special section of the Programme of Rural Reconstruction which co-financed the development of strategic documents by associations of local governments). Several examples of such strategic documents at the level of individual municipalities and regions are discussed in Chapter 4.

This spontaneous development of strategic governance at the local and regional levels testified its necessity for the society. Without setting out realistic long-term goals, the communities were unable to rationally manage their territory, financial resources, investment activities, and human potential. We identify the most valuable message of these local efforts for strengthening the strategic dimension of governance in two findings. First, there is the political nature of strategic goals, i.e. the fact that local political elites must participate in the preparation of strategic documents. Second, there is the necessity not to constrain the outcomes of strategic efforts. Public administration should ensure their acceptance by the community and get involved in the development of a functional implementation system. Nevertheless, many barriers diminish the implementation efficiency of such endeavours.

The lessons learned often faced a barrier of ignorance within state administration which, in turn, weakened the efficiency of strategic governance at the local level. Paradoxically, local business and civil sectors were easier to engage in a dialogue on the form and contents of community goals and in implementation than the state's regional or central institutions.

The first experiences from the last 10 years of Czech documents (plans) of strategic socio-economic governance are therefore of a mixed type. There are clear signals that the Czech public administration can be highly instrumental in bringing strategic objectives to a technical level compatible with techniques of governance practiced in Ireland or Finland. See, for example, the rules and institutions outlined by D. Rodrik (2004) for bringing industrial policies to a new stage of development. These rules and institutions were followed to a large extent by the policies of CzechInvest. In addition, the "comparative review" of Radosevic (2007) deals with specific good practices for upgrading their policies of innovation and competitiveness in "the catching-up economies" (i.e. in the post-communist transformed economies). Without a doubt, the extremely successful results of these economies in the last 6–8 years, including the Czech

Republic's rapid growth in the last 4 years, were significantly influenced by improved cooperation between the private and the public sectors., Yet, the inability of the public administration to become a partner of equal standing, whose prestige is earned by its capacity to make the private (both for-profit and civic) sector more efficient, lessened the reality of it being a true cooperation. Such policies of the public administration have not received full-fledged support and have remained instances of positive deviation in an environment with more traditional policies of discretionary interference. The private sector is marked by bureaucratic regulation and an inability of some of its agents to abstain from corruption.

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4.3 The Economic Growth Strategy

Marta Nachtmannová and Vladimír Benáček
Summary by Antonín Rašek

General Characteristics

The Economic Growth Strategy is another part in the series of “fundamental strategic documents” of Czech public policy. Almost one year after adopting the Strategy for Sustainable Development, the Czech Government adopted the Strategy with its Resolution of 16 November 2005. By analyzing the document’s development and the contents within, we can reveal some interesting characteristics and contrasts of the preparation and implementation potentials of both strategic documents. Ever since 1989, the economy of the Czech Republic has been confronted with a series of internal and external challenges.

The urgency and the risks of those challenges somewhat diminished after the successful privatisation of government property. However, the country is still facing issues of sustainable development. Exports have been the driving force behind Czech growth after 1991. The transformation in the sector of internationally tradable goods has laid the foundation of a strong profit sector which successfully faces the competition on international markets. The annual real growth rate of exports into the EU 15 in 1995–2003 was 13.8 percent. The quality of exports, as measured by average unit (kilogram) prices, grew at a similar pace. It is only by taking this qualitative route that the Czech

economy has been able to adjust to the long term trend of revaluing the Czech Crown and growing labour costs and real wages. However, imports have increased along with the highly dynamic exports. Thus, imports have been replacing domestic production from the Czech economy. Above all, the production in former government-owned businesses suffered. Those often underwent poor transformation in the privatisation process and this became the most substantive burden of economic growth.

Main Actors

The tradable sector is composed of private for-profit businesses whose production is, through imports and exports, subject to the pressure of international competition. National monopolies can be part of the tradable sector also, so long as their market position is contestable (i.e., their competitors are able to invest into the production). Businesses in the nontradable sector are typically organisations facing imperfect competition, protected by the lack of competition and contestability. These mostly comprise of government-owned organisations (the Army, the Police, the Rail) or formally private organisations subject to strong government influence, either through regulation (e.g., CEZ, a major electricity producer) or through ownership control (e.g., VZP, the General Health Insurance Company). Finally, sectors with strong externalities toward economics and society (i.e., the representatives of public goods) can be part of this group.

Evaluating the Methodology and Contents

Given the fundamental transition problem (i.e., the transformation from central planning to a market system), a functioning market system has been mostly successful in the field of internationally tradable goods, which covers roughly half of the Czech GDP. In the non-tradable sector, the transformation was only partially successful and its negative externalities have weakened the dynamics and competitiveness of the economy as a whole.

The Economic Growth Strategy (EGS) has a chance to succeed given the country's rapid growth trajectory and optimistic business environment. The better its success the easier the costs of the third wave of transition will be born. The strategy must be further refined, its elements integrated and operationalised into specific steps, while exposure to lobbyist pressures at its very inception must be prevented.

EGS's preparation was coordinated by a group of officials and advisors who established a new team under the Deputy Prime Minister for Economics, formally under the Office of the Government. Young people with an economic background and without prior experience in the government administration comprised a major part of the team. However imbalanced and raw, the material brought about one fundamental positive change. It led to an in-depth discussion about the aims of the Czech economy and suitable instruments for achieving those aims. The Strategy also contributed to identifying key sectors whose development can positively encourage economic growth. Furthermore, a new approach to the preparation of strategic documents was used which included interactions with the business sector and defined the actors of economic growth as partners.

The strategic importance of the Strategy can be compared to that of the privatisation decisions because the country will be influenced by its implementation not only before 2013 but also for another 15 or 20 years. The document summarizes existing ideas and recommendations as well as brings many new and innovative ones, synthesising them into a real economic strategy with a synergic potential. However, the Strategy continues to be economically reductive and lacks the consideration of broader contexts which is typical for such general development strategies.

The Strategy should include those contexts or include more references and interconnections to superior and more complex strategic documents – the Czech Republic Strategy for Sustainable Development and the EU's Lisbon Strategy, Sustainable Development Strategy, and the Stability and Growth Pact. At the same time, the Strategy with such magnitude should result in the revision of long and mid-term strategic documents of individual Ministries and regions. Furthermore, the implementation part should be refined by further operationalising the EGS measures by setting out, above all, quantitative indicators, specific responsibilities, and deadlines.

Implementation Potentials and Resources

The measures proposed are relevant and sufficient means to the given ends. However, it is not clear to what extent and how intensively they will be implemented. Moreover, the individual measures' impacts differ in their time relevance as well as in their social, environmental, and cultural repercussions which may bear indirect negative effects on long-term growth. In such a case, the normal practice in most government documents of not anticipating the social repercussions of their implementation should not be repeated because the general public does not identify with them and turns their back to them. Reaching a consensus is of fundamental importance for the Strategy. The historic opportunity for a good strategy and implementation is quite advantageous. This unique moment should not be missed. The Strategy's implementation may fail as a result of a changing political environment or a missing institutional framework for strategic governance. The EGS promises the goals of a stronger economic growth coupled with low unemployment and a growing standard of living. It ignores (probably intentionally) the social, environmental, and cultural goals. That is the main disadvantage of its conception.

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STRATEGIC GOVERNANCE AND THE CZECH REPUBLIC

This book discusses the conceptual foundations of strategic governance and the possibilities of analysing it through the use of indicators. The book summarises the history of attempts to apply strategic governance within the contexts of globalisation and European integration in the Czech Republic after 1989. Furthermore, the roles of elites, the general public, political parties, the media, and public budgets in strategic governance are examined. The final chapter contains brief exhibits of selected strategic documents that were realised at the national, regional, and local levels. Avenues of initiating and/or improving the processes of strategic governance have been identified, in particular, for the central level of public administration.

Published by Charles University in Prague
Karolinum Press
Ovocn. trh 3, 116 36, Praha 1
Prague 2009
Nakladatelství Karolinum
First Edition
ISBN 978-80-246-1627-8