

## Czech and Slovak Lessons for Public Administration Performance Evaluation, Management and Finance<sup>1</sup>

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### Abstract

*The paper examines theoretical and practical issues connected with performance evaluation, performance management and performance financing in public administration, using cases from the Czech Republic and Slovakia to draw conclusions, focusing on the specific environment of transitional societies. The cases examined are the civil service performance evaluation, performance management in the public administration offices and performance financing of universities. All selected cases show that the potential of performance evaluation, performance management and performance financing is significantly limited by concrete ways of their implementation and also because of specific environment of developing democracies. Because of this fact we propose to focus more on the benchmarking, which should serve as more effective tool for given environment.*

**Keywords:** *new public management, performance evaluation, performance management, performance financing, Czech Republic, Slovakia*

**JEL Classification:** H83, H41

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### Introduction

The “New Public Management” (NPM) wave in the last phase of 20<sup>th</sup> century provided the impulse for the implementation of many market type mechanisms (MTM) in the public administrations (PA) systems in a large number of developed

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countries – mainly those with Anglo-Saxon traditions. Performance evaluation and performance management for public employees and public organizations represents one such tool.

Recent evaluations of experience with NPM (see Bouckaert, 2002; Lane, 2000, and others) indicate that the success of MTM in the public sector was limited, and in any case MTM is not the tool that automatically improves the performance of PA. Thus “new” challenges in the 21<sup>st</sup> century (to replace NPM rhetoric) are modern democratic governance (see for example, NISPAcee, 2001) and modernization of the public sector (see OECD, 1999).

In our paper we examine theoretical and practical issues connected with performance management, using more from the Czech Republic (CR) and Slovak Republic (SR) to draw some conclusions on the use of performance approaches generally and with a focus on transitional conditions.

## **1. New Public Management and Performance Evaluation and Management: Theoretical Backgrounds**

It is very much coincidence, but the start of the period of transition in countries in Central and Eastern Europe is also the time of the general boom of the NPM movement. This public sector reform approach had many names: “managerialism”, “market-based public administration”, “entrepreneurial government”, “post-bureaucratic model”, “goal achievement model” and “user-oriented management” (see Tonnisson, 2005) and was the result of both pushes (attempts to avoid crisis) and pulls (attempts to act more businesslike).

According to Lane (2000), NPM represents new approaches in how to govern the public sector and a coherent theory on how government may deliver public services, wishing to increase the efficiency and quality of service delivery. Keraurden and Mierlo (in Coombes and Verheijen, 1997, p. 26) describe the important changes characterizing the main developments under the NPM regime, such as:

1. A shift from policy to management.
2. A shift from pyramidal administrative systems to cluster administrative systems (changing traditional “Weberian” bureaucracy).
3. A shift from planning and hierarchical execution of decisions to a dichotomy between core policy activities and adaptive operational services (splitting of decision-making, financing and concrete delivery).
4. A shift from a process-oriented administration to an output-oriented administration (focus on outputs and outcomes).
5. A shift from a collective provision of public or social services to a flexible provision of individualized products (involvement of all types of producers, increasing consumer choice).

6. A shift from spending to cost-cutting (less expensive and more effective and efficient government).

7. A shift from possession of ownership to the management of ownership (more focus on much more effective use of assets, better utilization of them).

Many MTM arrangements started to be used in the public sector as the part of NPM type of reform, especially (OECD, 1993) user-charges, co-payments, contracting, internal markets, vouchers, Build-Operate-Transfer (BOT) schemes, agencies, establishment of ownership rights, in some cases privatization, internal pricing, cost-centre management, performance management. Let us introduce some of them.

User-chargers involve citizen participation in covering the costs of public services. In case of excludability and possibility to measure consumption, charges have really many advantages (Nemec and Wright, 1997). Co-payments, commonly used for example in health care are expected to have similar positive impacts, especially from the point of view of allocative efficiency of delivery of public services. Vouchers are mainly used as tools of social policy, and try to combine the advantages of in-kind benefit form of redistribution and of increased consumer choice.

BOT (concessions) schemes allow for the full involvement of the private sector especially in public infrastructure investments. Contracting and privatization are focused on increasing the technical efficiency of delivery of public services. For all the mentioned tools our focus in this paper is performance evaluation and performance management. Performance evaluation deals mainly with the following key concepts and topics (see Wright and Nemec, 2003):

- *Economy*, concerned with the conversion of inputs to outputs, trying to ensure that minimum inputs will be used to achieve defined outputs.
- *Efficiency*, analyzing the ratio between inputs and outputs.
- *Effectiveness*, aimed at ensuring that efficiently produced outputs are directed to achieve the desired outcomes.
- *Inputs*: represent all resources used to produce expected outputs, outcomes and impacts
- *Outputs*: represent goods and services delivered from inputs. Outputs are usually measured by quantitative non-monetary figures (e.g. number of surgical operations)
- *Outcomes*: represent a more difficult concept, and are used to measure what was really achieved. Outcomes include both quantitative and qualitative dimensions (e.g. the number of surgical operations and their success). Compared to inputs and outputs, outcomes are very difficult to measure, especially if we want to calculate them in monetary terms (for example to conduct social cost-benefit analysis).

- *Impacts*: represent the most complex measure to evaluate real achievements over the long-term period (e.g. the decrease of unemployment in respective regions as the result of a macroeconomic programme).

- *Performance indicators*: Performance indicators may be divided into sub-groups:

- Cost (input) indicators, closely related to unit costs.
- Output, outcomes, impact indicators, used to quantify the achievements of the organization or public project/programme. All these indicators are used for example under the system of EU structural funds project management.
- Quality indicators. As there are more concepts/dimension of quality, the ways and tools to measure quality/to establish quality indicators have more possible dimensions, like: fitness for purpose, querying whether something is suitable for job it has to perform; *standards*: by standards it is possible to check, if the product is delivered as expected, and if the process of delivery is as expected; *consistency*: is about achieving all standards/providing the same (or almost the same) service at any time; *customer satisfaction*: satisfaction of people for whom the good is produced or the service is delivered.

- *Equity*: The concept of equity in this sense is focused to assure that any service targeted to special group (people who need such a service) will be delivered to these who need it most, rather than being delivered on an equal basis.

Performance evaluation represents the first (and sometimes also the last) level of performance based management. Its main problem is how to acquire the necessary quality of data obtained. There are at least three basic criteria for good performance indicators:

- Performance indicators shall be numerical.
- Performance indicators must be used in a valid comparison situation.
- Performance indicators shall be specific enough to enable the appropriate level of management to improve the respective indicator.

As it is not so simple to find, construct and calculate such indicators, the shift from performance evaluation to performance management is not a simple issue. Moreover, some extra preconditions need to be met, like neutrality of indicators (indicators shall not create pervasive behavioral effects), transparency, professionalism and neutrality of evaluation.

There are more possible forms of outcomes management and financing in the public sector, currently used in developed countries. One possible example might be the system of public agencies, at least in theory connected to their respective branch ministries by grants to pay for their activities (public orders) and by control of their outputs and outcomes.

Among other countries New Zealand has achieved the closest link between performance and budget resources. It budgets and appropriates by object class rather by items expenditures, and it provides for planned outputs to be specified in purchase agreements between agencies and ministries.

Internal markets, based on the principle of purchaser-provider split, like health care or the education quasi-market in the United Kingdom, might be also counted as specific forms of performance financing.

Performance based budgets emphasize agency performance, objectives and accomplishments, not the purchase of resources used by the agency. The budget process then has the dual role of providing funds and establishing performance objectives (we return to performance indicators later). The principles of performance budgeting have been formulated following (Mikesell, 1986):

- Budget choices and budget information should be structured in terms of activities rather than individual line-items.
- Performance measurements would be collected, associated cost should be reported for those performance categories, and efficiency in the use of resources should be evaluated.
- Performance reports comparing the deviation of actual cost and accomplishment from planned levels should be monitored for each agency to focus management attention on problems which might arise.

### **1.1. NPM and MTM in Transitional Countries**

The experiences from use of MTM in the public sector of developed countries are different and there exist many examples of problems and failures connected with use its. This situation calls for really careful implementation in the Central and Eastern Europe (CEE) countries, where several conditions are different to the so-called “standard” situation.

Concerning the general concept of NPM we may quote Tonnisson (2005): “There is a general belief that the principles of the approach may lead to less stable organizations and less dedicated public officials. In addition, they may blur distinctions between politics and administration; between public and private. That may affect public organizations in unpredictable ways by introducing unforeseen actors, roles and practices in the public sector. The outcome can be a higher level of adaptability and ‘local’ appropriateness but probably at the cost of inconsistent models and principles. As an outcome of NPM many public organizations in pro-NPM Western countries became more autonomous, but it also meant a greater fragmentation of service delivery, policy making and implementation.”

There is now almost general agreement that governance should replace government, and NPM is not longer a philosophy, but only a set of possible tools that need very careful implementation.

Careful implementation of NPM and MTM tools is crucial for transitional countries, given their specific environment. What works in one public sector circumstance might not work in another political, social, or economic setting. Many aspects of transitional countries are specific. For example potentially competitive markets in CEE are in many cases still not well developed, but characterized by monopolistic or oligopolistic structures and behavior. The 'quality' of public administration structures is not comparable to more developed systems with long traditions. However, the 'quality of democracy', comparing developed western countries and CEE countries in transition, still differs considerably. Democratic institutions could not have been fully developed during the short period available to CEE countries. Citizens are not able, but many of them are also not willing, to control government.

## **2. Performance Evaluation and Management in Slovakia and the Czech Republic: Selected Cases and Their Evaluation**

In this part we provide selected examples of performance evaluation and management from concrete conditions in Slovakia and the Czech Republic. Both countries (a single state till 1993) started the transformation in 1989 and finished its first part in 2004 by joining the European Union.

### **2.1. Performance Evaluation of Slovak Civil Servants**

The system of performance evaluation of civil servants in Slovakia is based on the relevant parts of Civil Service Law and its details are developed in concrete directives of the Civil Service Office. Three main criteria are used:

1. Fulfillment of written orders of supervisor: level of fulfillment of orders; level of qualifications and their use to fulfill orders.
2. General performance and benefits to the office, from the point of view of properness, timelines and personal initiative: fulfillment of duties in appropriate quality, scale and within given deadlines; personal initiative of civil servant when performing duties; individual progress.
3. Respect for the civil service discipline and ethical code: the level of respect for civil service discipline; the level of respect for the Code of ethics for civil servants.

At the beginning of an evaluation period the supervisor shall prepare a written document defining main goals and targets for a civil servant for the whole evaluation period. This document is expected to be a benchmark for evaluation. It also includes all skills or other specific competences to be improved.

At the end of the evaluation period, the performance of civil servants is evaluated by the supervisor. A part of this evaluation is an interview. During this interview the supervisor and the civil servant exchange their opinions on all aspects of performance of the civil servant during the evaluated period. According to the spirit of the rules for evaluation this interview and the whole process shall not be a definite goal, but a tool to improve individual performance but also the performance of the civil service body.

However, reality is not always so positive. There are more problems included in this process, especially that the criteria are very vague and many of them difficult to assess; and the criteria are evaluated by a supervisor only in a subjective way and the final decision (ranking of the level of performance) is more or less an individual decision that might be biased.

Luckily, this kind of performance evaluation is not very much directly linked to the performance payment of civil servants. If it were so, there could be little chance for real objectivity. The salary of a civil servant is mainly based on a fixed rate that is directly expressed by legislation – a system of classes and grades, where only a very small proportion are performance increments (normally about 10%).

Higher increments are available only for the level of top civil servants. The experience from this level indicates the potential risks of linking performance evaluation and performance management in the Slovak civil service, as the concrete level of such increments is normally little related to performance, but the main factors for award are the working and other relations between supervisor and civil servant. Recently there have been media reports of large increments for top civil servants in ministries, sometimes even though basic targets and goals were not achieved.

## **2.2. Performance Management in Slovak State Administration Offices: Costs Centers Approach**

One of the important and well recognized features of modern public financial management (Jones, 1997) is the creation of a functional system of cost – centers within public bodies to know more about the real structure of costs and revenues to be able to evaluate the performance of the organization. Following international experience a comprehensive experiment on the quality and effectiveness of performance of the local state administration was introduced on the level of district and regional offices of state administration in Slovakia. The preparation of the experiment started in 1998, and the first year of operation was 2000.

The aim of this experiment was to try to assess and measure performance of offices in the following four dimensions:

1. Professional quality of performance (the quality of administrative actions)
2. Client satisfaction
3. Employee satisfaction
4. Efficiency of performance – of delivery of products.

Because of many implementation problems, the experiment was not fully realized on a mass scale basis. During 2000 – 2002 years three of its four parts started to operate, but not in a full planned scale.

Client satisfaction was measured via a comprehensive questionnaire, filled by citizens coming to the office for any kind of administrative action. A total quality 23 target questions tried to obtain data on the most important dimensions of service, including performance of personnel, premises and the process (all aspects of service design).

Employee satisfaction was also measured by the questionnaire covering 39 questions about important factors influencing employee satisfaction. Issues like working conditions and environment, career planning and development, working relations, workload and rewards represented the most important parts of the questionnaire.

The measurement of the efficiency of performance of public administration activities was based on data obtained from cost-centre based management and accounting. The cost-centre approach was introduced as an experiment in one regional office of the state administration as the part of the Phare project, focusing on public administration reform from 1998. Later the Slovak Ministry of Interior decided to use this approach as a compulsory method in all district and regional offices of the state administration. The data from cost-centre based computerized system (using software IBEU) provided full information about the direct and indirect costs of the respective department. These data were processed further to obtain data per product, defined as following:

### ***The Product***

1. The product is defined as an identifiable output of the respective organizational unit of the office legally responsible for its delivery.
2. The internal product is defined as the outputs of the organizational units of the office that are consumed by other organizational units.
3. The product is described by basic legal, organizational, financial and personal characteristics, e.g. its contents, the definition of legal norms determining its delivery, the definition of the responsible organizational unit, the target group and the qualitative and quantitative goals.

The steps used to calculate the costs and revenues per product were:

A: Product name.

B: Number of products delivered during the evaluation period.



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C: Calculation of labor input per product (estimation of minutes of work necessary to produce the product, based on a long-term analysis of the working time activities of employees).

D: Calculation of % of the total working time of the department devoted to each product (as the weighting factor to apportion costs between products).

E: Calculation of labor and material costs per product. At this stage total labor and material costs per department are inserted from the cost-centre system and allocated to products according their weight. Capital costs are not included in the calculations because of limitations in the current accounting system (so the costs per product are underestimated).

F: Calculation of revenue per product.

Interesting lessons arise from the first phase of this experiment. As is also apparent from the employee questionnaire, civil servants feel that they are overloaded with work and under-rewarded, and do not consider efficiency and effectiveness dimensions of their activities. This is valid for all levels, including the top “managers” of the offices. After a long period of experience of a command society, there is no willingness to adopt new management methods and to bear increased personal responsibility for results.

In spite of the potential of this approach many realization practical problems have occurred. The experiment was introduced from the level of the Slovak Ministry of Interior. In its first stage (1999) it applied only a small sample of selected district offices that were willing to accept some progressive ideas. After generalization to the whole country a lot of resistance came from many offices. Regional and district offices complained that it was too complicated to obtain data, or they were not willing to provide it, being afraid of the consequences. Already by early 2002 several offices had tried to abolish the system, but the Ministry was able to maintain it for one more year, but after that the project was temporarily suspended.

Some of complaints were realistic – for example that the calculation of costs per product was only partly based on the existing software IBEU, but needed additional manual interventions. There were no interconnected information management systems within the offices of the state administration. Nor there were national information systems collecting data automatically. The interface between IBEU and the central programme to process the data at the level of the Ministry did not work well. In this situation the running of the system caused additional workload for all actors, limiting the success of the experiment. The group processing data at the Ministry was too small to be able to prepare comprehensive material summarizing the data obtained, and to draw the necessary conclusions. Cost centers increased the workload, but also achieved better transparency of performance data – something not appreciated by most offices.

Some problems had a political character. We might expect that the data, especially efficiency data obtained by the experiment would be used as very important information for designing the system of future fiscal transfers after decentralization (to link the transfer of responsibilities with the transfer of resources). However, this happened only partially. This was not the surprise – all public services in Slovakia are under-financed, and capital costs have not been recovered for the entire post 1989 period (Berčík, 2003). So it was better for central government to use cash and not accrual data to calculate how many resources to transfer for self-government by fiscal decentralization. Why self-governments did not opt for more exact data is more surprising, and difficult to explain. Lack of pressure for the exact data on the costs of the transferred services could be explained by agenda priorities (as one of several potential solutions). Public choice theories (Stiglitz, 1989) provide models of the behavior of politicians. Where power is the most important goal, the representatives of self government may prefer fast transfer of responsibilities, followed by a lobby for resources.

As of today, the cost-centre management in the Slovak state administration continues on a limited scale. As a model one region and 8 offices were selected. The future is open. In any case, the experiment clearly highlighted many pros and cons of performance evaluation. Extra costs are unavoidable; with insufficient software such costs might be too high. Increased transparency is in theory a very positive goal, but what is the real position of all the directly involved actors? In our case all major stakeholders did not want it, in contrast to the global social need.

### **2.3. Performance Financing in the Czech University System**

As indicated, a performance financing of universities is with some important limits used in Slovakia, but such a system (for public schools, private are discriminated similarly as in Slovakia) is more developed in the Czech Republic. We will try to highlight its consequences in the following text.

Till 1992 the basis for financing of the Czech universities was the incremental budgeting, indexing the previous year budgetary base (Jones, 1997). The advantage of this system was simplicity; the main disadvantage was the use of historical data, preserving existing trends, independently of changing conditions and the efficiency.

That existing ineffective incremental budgeting was replaced by the performance budgeting, based on the following main performance indicators – a number of students/graduates, a quantity and quality of a scientific performance of the school (a number of publications structured according to the category), a number of students in dormitory. The formula included the price/fee for a performance unit (e.g. one graduate).

The base for performance of financing of public universities in the Czech Republic has been changed more times after introducing it. In 2006 the core part of the performance grant to cover running costs of Czech universities was calculated on the base of delivered accredited study programmes by following formula:

*Number of students in the programme x coefficient of the programme x normative*

The normative is calculated in a simple way – the total amount of the performance grant for all study programmes in the Czech Republic is divided by (adjusted) a number of students in all public schools. The coefficient is expected to highlight the costs requirements of a study programme (higher for technical study programmes, where equipment is more expensive). The level of a total grant for the university was just simple summarizations of grants per programmes.

Formally such a system is transparent and fair. However, more than 80% of running costs of grants is allocated via this mechanism, the pervasive motivation is created. The management of a university can maximize the level of the public grant by maximization of a number of accepted students. The outcomes are straightforward, and can be proved – capacities of school buildings are overloaded, the level of entry examinations is decreasing, or such examinations may be even cancelled and all interested accepted. Lowering entry requirements and overloading of capacities mean high risk of a lower quality of the final product (especially if the relation between accepted and graduates is supervised by the Czech Ministry of Education). Another important problem is a limited motivation (and time) to a real scientific activity of a school – existing international rankings clearly show that Czech universities (except of Charles University) do not receive points allowing them to be ranked for their scientific performance.

The motivation to maximize inputs (a number of accepted students) and outputs (a number of graduates) is the purpose for inefficiency in allocation (Stiglitz, 1988) of the Czech university system. The allocation mechanism in combination with the fact that there are no student fees in public schools causes the situation where both producers (schools) and consumers (students) do not behave in a socially efficient way. Schools care about a quantity and quality of the process and outcomes are not the concern. Students demand more services than it is effective, as their costs are low the chance to succeed very high (especially if entering smaller regional schools) and their final post-study income is not so much determined by their performance but in many cases only by a title.

To prove that the quality of university graduates in the Czech Republic and their profiles are not in line with “social needs” of the national economy (also due to not properly defined the performance of financing system) is not simple, because of the lack of primary research data on this issue (the evidence of alumni and

their carrier prospects is only exceptionally realized). However, there are enough indications (statements from the private sector, the statistics of relations between the finished study programme and the final job position, but also just brief reviews of curricula and syllabuses) showing that the university system in the Czech Republic is supply based system, where schools offer programmes without a verification of real needs (just on the base of existing – mainly human – capacities).

The specific feature of the system of the performance financing of Czech universities is the fact that many schools just copied the national “motivation” system into their internal performance management and financing system. As the main income source for schools is based on a number of students, many schools decided to allocate resources to costs centres (departments) on the base of contact hours. Pervasive effects of such internal systems are straightforward – maximizing of the total amount of contact hours in curricula (the standard is more than 20 contact hours per week), “fights” for the delivery of courses which are compulsory and taught for all students in the school, significant overlaps between courses, decreasing of time that shall be reserved for scientific activities, etc.

If a number of contact hours is the main criteria for internal performance management within the university, a lot of deformations may occur – like the need to teach too many courses in one semester (thus insufficient specialization), or the necessity to examine hundreds of students during the examination period by teachers responsible for courses delivered for all or most programmes in the school (traditional examination systems focusing on the knowledge at the examination still prevail).

To finish this case we may conclude that the concrete Czech system of performance financing of universities and within universities represents typical example when the potential of performance management and performance financing is significantly limited, if not destroyed, by improperly defined indicators, which are too much input and quantity orientated.

### **3. Benchmarking and its Potential**

All our concrete cases highlight that performance evaluation and performance management are interesting public sector tools, but involve certain levels of risk and need extra resources to be realized. The level of risk might be reduced by switching from standard performance evaluation to benchmarking (Meričková, 2004). If benchmarking is used, performance data are collected and made available to stakeholders. Results of benchmarking are not used to compare the bodies involved but their main goal is to help the leadership of the respective bodies to try to understand the cause of differences and to find the way how to improve,

if possible. The crucial problem of the limited reliability of the performance data to be compared (for example because of different local conditions) is neglected. To present the potential of benchmarking we provide two examples of benchmarking studies.

### **3.1. Benchmarking Study: Public Procurement in Slovak Hospitals**

In 2004 our team, supported by Transparency International Slovakia, undertook field research focusing on public procurement in Slovak hospitals. To analyze the situation, 15 medium-sized hospitals were selected. Benchmarking part of the study focused on prices of selected procured goods.

Data obtained by benchmarking clearly indicate extreme differences between unit prices under which hospitals procure medicines, medical equipment, daily goods and services, and also show that the prices paid by hospitals to suppliers are often significantly over the market level. The differences between hospitals cannot be, to a larger extent, assigned to different regional labor market and transportation costs, as there is no correlation between the level of unit prices and concrete local conditions (hospitals in similar environments perform differently).

All data were obtained from accounting books from hospitals and because of this are very reliable. The results clearly show that the quality of public procurement in hospitals measured by outcomes is very low. One concrete example might be used to document the current situation – the prices of pork meat for catering services (not out-sourced in any case) were in some hospitals as follows (price paid by hospital versus price in nearby supermarket): 170.32 versus 151.00 SKK, 163.31 versus 130.00 SKK, 173.85 versus 159.00 SKK, 162.80 versus 139.90 SKK, 173.44 versus 149.00 SKK, 180.54 versus 145.00 SKK.

All information obtained by our team clearly indicates that hospitals procure in a non-transparent and ineffective way. This is mainly not just because of a lack of skills, but a very much more general problem, as is clearly visible from the statement of the director of last performing hospital (according to our evidence) in Trebišov: “The life of the patient is much more important than the Public Procurement Law. Our only concern is to provide the patient with maximum care.” The patient does not care about the procurement of medicaments; “he just wants his/her drug” (*Reports of the Slovak Television*, 3. 11. 2004). However, without efficiency, available resources cannot provide sufficient proper drugs to all.

### **3.2. Benchmarking: the Performance of Municipalities in Delivering Local Public Services**

Our team has already focused for several years on the issue of the efficiency of local service delivery. The main issues investigated are as follows:

1. Forms of delivery of local services.
2. Selection of the respective form of delivery.
3. Performance data for respective forms of delivery.

Concerning the first issue, the data obtained for Slovakia and the Czech Republic by one of our researches in 2004 (Table 1) clearly show that all legally available forms of service delivery arrangements are used, and that the contracting to external suppliers is very frequently the solution in both countries. Slovak and Czech patterns are quite similar. Internal delivery of local public services by the municipal employees is more frequent only on the level of small municipalities. The delivery by municipal “brutto” budgetary organization (separate incomes and revenues) is very rare (such organization does not exist in the Czech Republic anymore, but it was replaced by another body providing some services in the education, health care and social services fields; this body operates on “brutto” budgetary principle without legal identity and without independent budgeting). This form was mainly replaced by municipal “netto” budgetary organizations (linked to the municipal budget only by the budget balance) or by municipal companies (more common for larger municipalities).

Table 1

**Forms of Delivery of Selected Local Public Services – Sample 2004**

Service	Number of Municipalities											
	Municipal employees		Brutto budgetary organization		Netto budgetary organization		Municipal limited company		Municipal joint-stock company		External contract	
	SR	CR	SR	CR	SR	CR	SR	CR	SR	CR	SR	CR
Waste	2	0	2	0	7	0	9	2	2	0	20	49
Cemeteries	13	11	1	0	8	3	2	12	0	0	9	24
Public green	15	13	1	0	10	3	5	10	1	0	6	28
Communications	12	8	1	0	11	3	6	15	1	0	8	37
Public lighting	13	12	1	0	9	2	8	7	0	0	13	33

Source: Own research.

Following the recent European Union rules, we have to stress that municipal limited and joint-stock companies should be counted as the external delivery arrangements, because the relations between the municipality and the companies are regulated by the contract.

Data from our different research samples (Table 2 shows the 2004 sample) clearly indicate the most problematic feature of municipal decisions on the delivery of local public services. They show that most municipalities use direct purchase (Czech Republic), or were not willing to provide information about the procurement method (Slovakia), despite their obligation to do so under the law on free access to information. We did not insist on answers at this stage, as the

missing answer alternative is a good indication of two potential problems: municipalities do not want to tell, knowing that the law was not followed. In addition, almost all contracts to municipal limited and joint-stock companies are just directly awarded and invoiced, without any competitive elements, so breaking procurement legislation, at least from the European point of view.

**Table 2**  
**Use of Procurement Methods in a Selection of External Suppliers – Sample 2004**

Procurement method used	Number of Municipalities									
	Waste		Public green		Public lighting		Local communications		Cemeteries	
	SR	CR	SR	CR	SR	CR	SR	CR	SR	CR
a) Open tender	2	4	1	0	1	0	3	2	1	0
b) Price bid	0	8	0	4	0	3	0	8	0	3
c) Restricted tender	1	7	0	1	0	0	1	1	2	1
d) Negotiations	0	4	0	1	0	1	0	2	0	1
e) Direct purchase	2	19	1	22	8	29	1	35	5	25
f) Municipality not willing to provide information	15	9	4	13	4	9	3	7	1	0

Source: Own research.

To assess the performance of different arrangements we conducted simplified benchmarking studies to compare the costs of delivering public services in selected municipalities. Because of limited space we present only two examples of our findings.

**Table 3**  
**Average Costs of Waste Collection by Respective Forms of Service Delivery: Slovakia 2002**

Form of Delivery	Number of Municipalities	Average Yearly Costs per Inhabitant (in %)
1. Municipal employees	2	136.29
2. Brutto budgetary organization	2	295.34
3. Netto budgetary organization	7	420.36
4. Municipal limited company	9	538.35
5. Municipal joint stock company	2	701.35
Average for internal forms	22	398.34
Contracting 1	11	351.14
Contracting 2	9	251.44
Contracting total	20	301.29

Note: Contracting 1 – citizens pay fees only to the municipality.

Contracting 2 – citizens pay fees both to the municipality and to the supplier.

Source: Meričková (2002).

The problem of the Table 3 is the very low quality and the limited reliability of the data provided by municipalities. Especially in cases of delivery by employees

or via brutto budgetary organization, the full costs of service delivery are unavailable – cost center accounting and accrual accounting are not practiced by Slovak municipalities. In spite of these problems the main fact is visible – the differences are too large.

The recent sample from 2004 for the Czech Republic shows slightly different cost patterns, but the main problem – inefficiency – remains (see Table 4). In this case the clear indicator of inefficiencies is data describing costs for municipal firms. It is apparent that firms that were not selected by competitive methods are much more expensive – thus benchmarking indicates that public money might be wasted and serves as the starting base for further more detailed performance evaluations.

Table 4

**Relative Costs for Different Forms of Delivery of Local Public Services in the Czech Republic – 2004 Sample (in house production = 100)**

	Local Communications	Waste Collection	Public Lighting
In house production	100	100	100
Municipal firm	221	154	164
Municipal firms selected by competition	172	112	102
Direct purchase	141	134	120
Tendering	192	135	116

Source: Pavel (2006).

## Conclusions

The theoretical part of our paper provides some brief general information about the pros and cons of MTM and particularly about performance evaluation and management in public administration. The core part presents selected examples of performance evaluation and performance management at different levels of PA systems in the Czech Republic and Slovakia (transitional countries that became European Union members in 2004). These examples and concrete experiences are not only described but also briefly evaluated.

The conclusions are straightforward. Performance evaluation and performance management represent interesting public sector tools, but involve certain level of risk and need extra resources to be realized. Experience from these two selected countries, but also more general data indicate that linking performance evaluation directly and in a non-sensitive way to performance management might cause many problems. Simple performance evaluation and especially benchmarking might serve significantly better.



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