

# Financing and economics management

## Financing the budget chapter of the Ministry of Defence



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ



## Content:

1. MoD - the issue of implementation of economic management,
2. Economic resource management in defence,
3. The financial management system in the defence,
4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services,
5. Resources Defence funding.



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# 1. MoD - the issue of implementation of economic management

How many soldiers have or how many actually finance is appropriate for financing the defence, was always in question, which was not immediately clear answer.

*Every state based on its geopolitical position analyses its demographic and economic potential and creating a national defence strategy.*

# 1. MoD - the issue of implementation of economic management

On the security of national defence are used three basic sources:

- A. human resources,
- B. financial resources (funds),
- C. financial resources (funds).

Economical, efficient and effective use of funds is done through a system of economic management.

# 1. MoD - the issue of implementation of economic management

The current system of economic management of the MoD is already outdated.

The success of the transition to economic management is subject to changes in other management systems (command and control, defence planning, construction and transformation of organizational structures, personnel management, training and education of personnel, system management by objectives).

# 1. MoD - the issue of implementation of economic management

The concept of economic management defines the so-called carrying points of transition from financial management to managing economic:

- Economic management is based on a clear definition of the scope and activities of the major actors in the process,
- To identify trouble spots that have an impact in of economic management. Therefore, the concept of economic management proposes to implement changes in the planning process so that it is possible to plan all the resources in the sector, and to output documents provide consistent and stable over time basis for follow-up processes - budgeting, acquisition process, material inventory management and asset reproduction;

# 1. MoD - the issue of implementation of economic management

The concept of economic management defines the so-called carrying points of transition from financial management to managing economic:

- In the area of budgeting compliance with the rules target-oriented budgeting is impassable limits by setting individual goals for their wearers (managers goals);
- It will be introduced perennial change management ,
- It will be introduced a system of applying the requirements of material needs of managers goals and formulating a plan of material needs .

# 1. MoD - the issue of implementation of economic management

The concept of economic management defines the so-called carrying points of transition from financial management to managing economic:

- It will be created the necessary communication links between the different elements of economic management department,
- Adjustments will be implemented in the information systems used to ensure the interconnection of all information necessary for economic management and decision making.

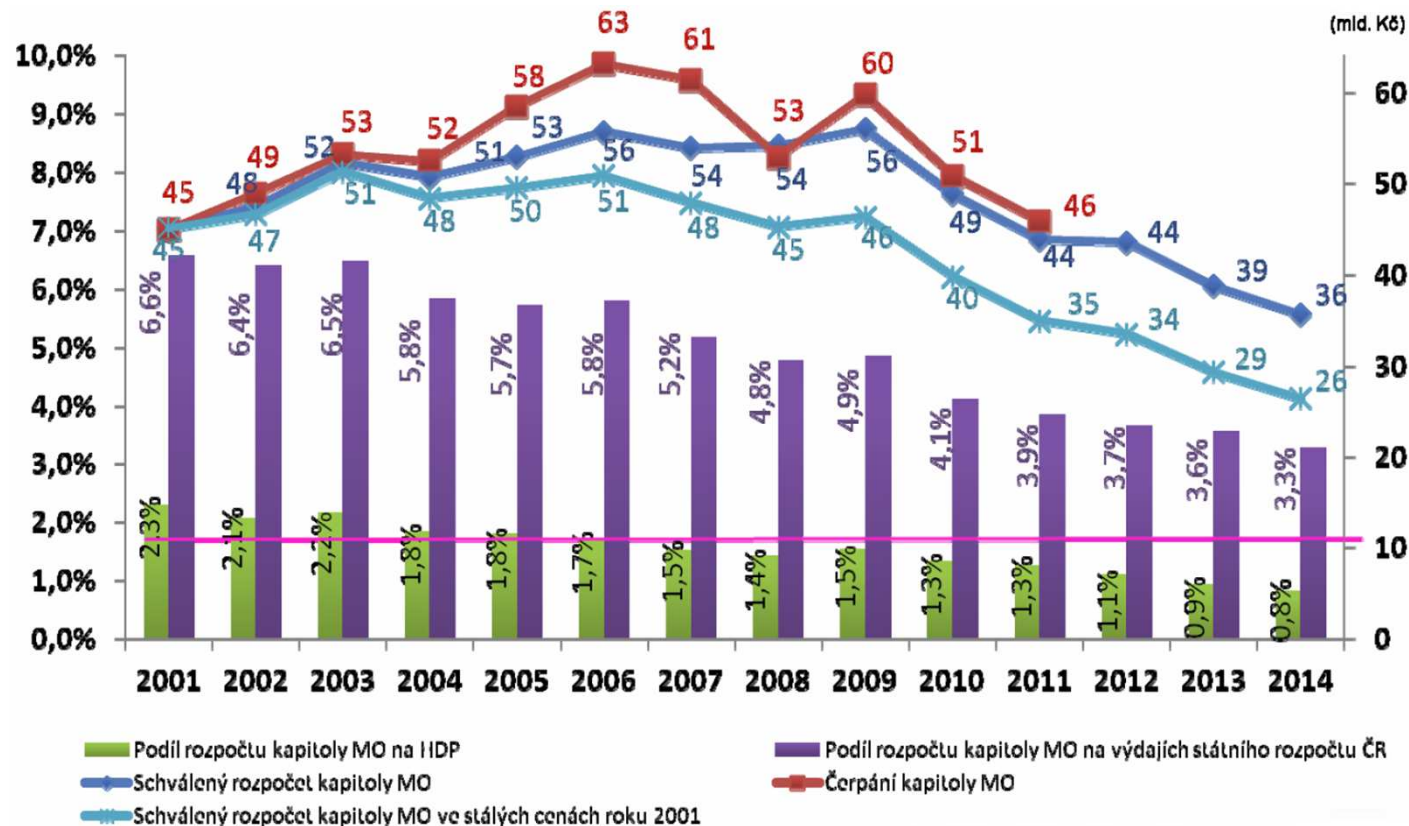


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# 1. MoD - the issue of implementation of economic management

## Development department of defence spending in the years 2001-2014



Source: Ministry of Defence of the Czech Republic: Ministry of Defence: Finance and Contracts: Departmental Budget: MO 2012 - presentation. [online]. Prague: Ministry of Defence, 2012 [cit. 28.07.2014]. Available from: <http://www.mocr.army.cz/finance-a-zakazky/resortni-rozpocet/resortni-rozpocet-5146/>



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# 1. MoD - the issue of implementation of economic management

Problem areas in economic management in the defence sector:

- A. Preparation of the budget.
- B. The current structure needed for managing the economy no longer correspond to the needs and requirements of the MoD.
- C. The outputs are provided from accounts in the MoD used for decision support various levels of command and control.



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# 1. MoD - the issue of implementation of economic management

Problem areas in economic management in the defence sector:

- D. In the system of management of the property is not created one entity for integrating the unified management of the acquisition, cataloguing, management and disposal of assets.
- E. Almost all organizational units are within its organizational structure of the body that takes property or services for the benefit of objective.
- F. The MoD is not created body that would straddle the top positions of the individual processes in response to the method of management by objectives.

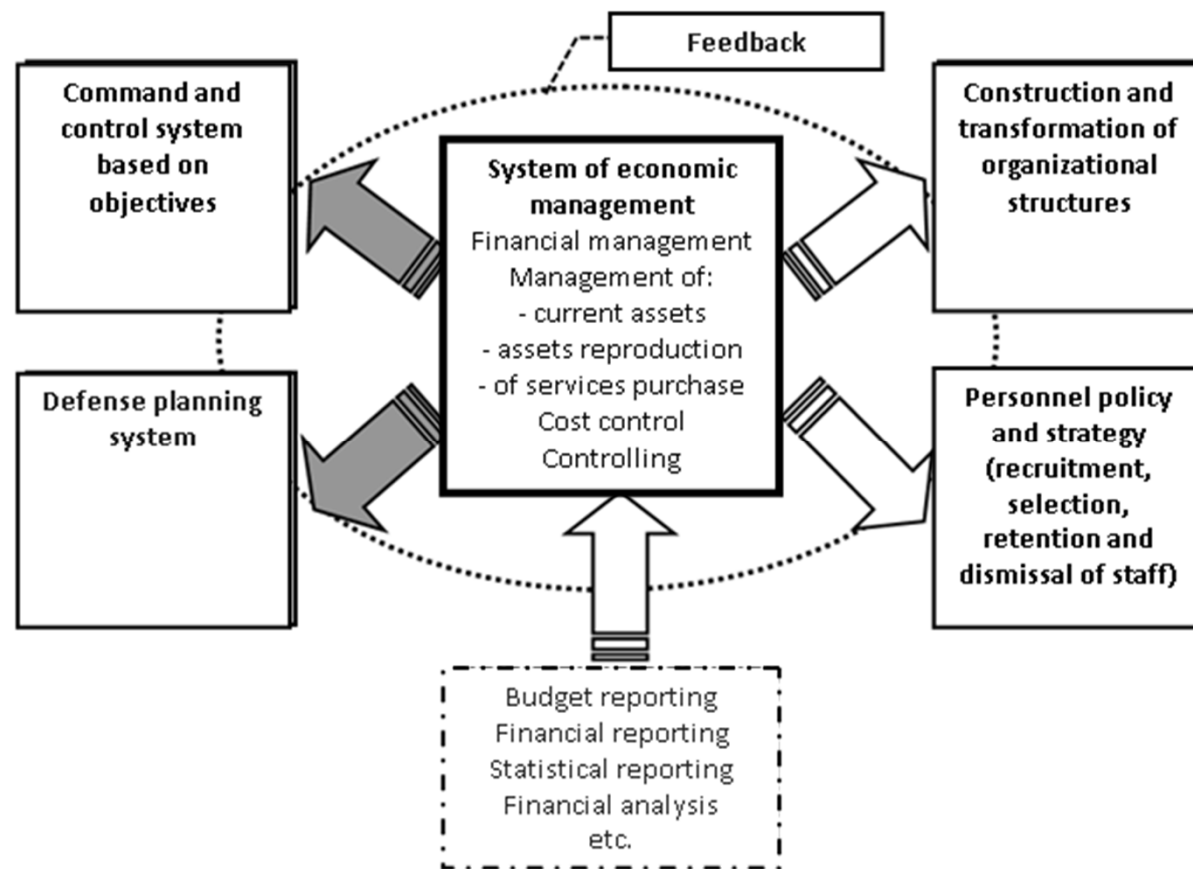
## 2. Economic resource management in defence

### Economic management MoD:

- **integrated** system elements - resource planning, budgeting, financial management, management of current assets, management of assets reproduction, cost control, cost accounting, financial analysis, controlling ,
- **information** is then **evaluated** using economic methods and provide crucial information to management organization.

## 2. Economic resource management in defence

### System of economic management in the defence sector



Source: The concept of of economic management in the Ministry of Defence. Prague: Czech Ministry of Defence. 2013 47 s.  
Ref. 121 / 2013-2013.

## 2. Economic resource management in defence

System of economic management in the defence sector is created by:

- ☐ Subsystem **Financial management** is the main part of the system of economic management (budgeting, decision making and organizing financial security department).
- ☐ Subsystem **Management of current assets** provides an analysis, establish and maintain an optimal level, structure and usage of material stocks corresponding to the needs, abilities and goals of the resort.



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## 2. Economic resource management in defence

System of economic management in the defence sector is created by:

- ☐ Subsystem **Control reproduction property** (program funding) provides acquisition, technical evaluation, maintenance and repair of fixed assets MoD ,
- ☐ Subsystem **Costs management** through cost calculations will transform accounts cost breakdown capabilities through costs will be allocated to individual departmental goals, which will give rise to these costs.

## 2. Economic resource management in defence

System of economic management in the defence sector is created by

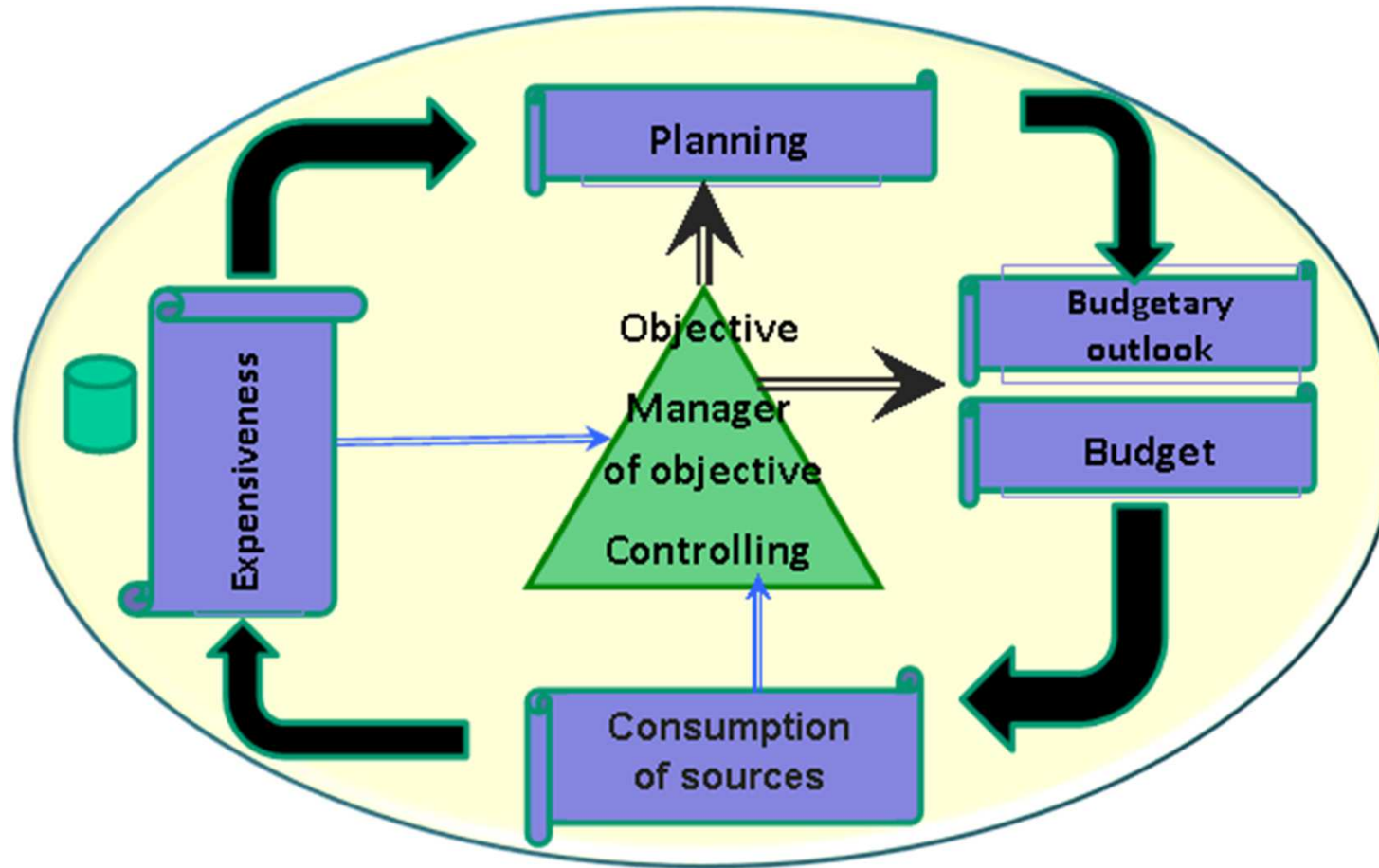
Subsystem **Controlling** will ensure in particular continuous comparison of actual and planned values of economic indicators, identifying their variations as during that period, and after its completion and removing the negative impact of these deviations

A prerequisite for successful implementation of controlling is **a creating of an information base based monitoring costs.**



## 2. Economic resource management in defence

## System resource management in the defence sector



Source: BALVÍN, Pavel. *The concept of economic management in the Ministry of Defence*. Prague: Czech Ministry of Defence. 2013. PPT.

### 3. The financial management system in the defence

#### Financial management and financial security

utility managers of objectives as an integral part of economic management, ensuring economical, efficient and effective allocation and use of funds in due time and in accordance with the objectives of the Ministry of Defence.



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### 3. The financial management system in the defence

Financial management processes:

- a) budgeting,
- b) realization of personal expenses,
- c) funding,
- d) accounting,
- e) financial control and
- f) controlling.



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### 3. The financial management system in the defence

The management of resources is used target-oriented budgeting.

That objective must comply with conditions such as:

- ☐ Availability;
- ☐ Simplicity, brevity and clarity;
- ☐ Concreteness.

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

The aim of economic management in the Ministry of Defence (Czech Army):

is clearly define **the scope of authority** of economic services at individual levels of command and control so that it is clear what activities are to be carried out and secured in favour of the goals of the manager level and in the realization of expenditure in favour of leading organizational unit as the principal operations by type.

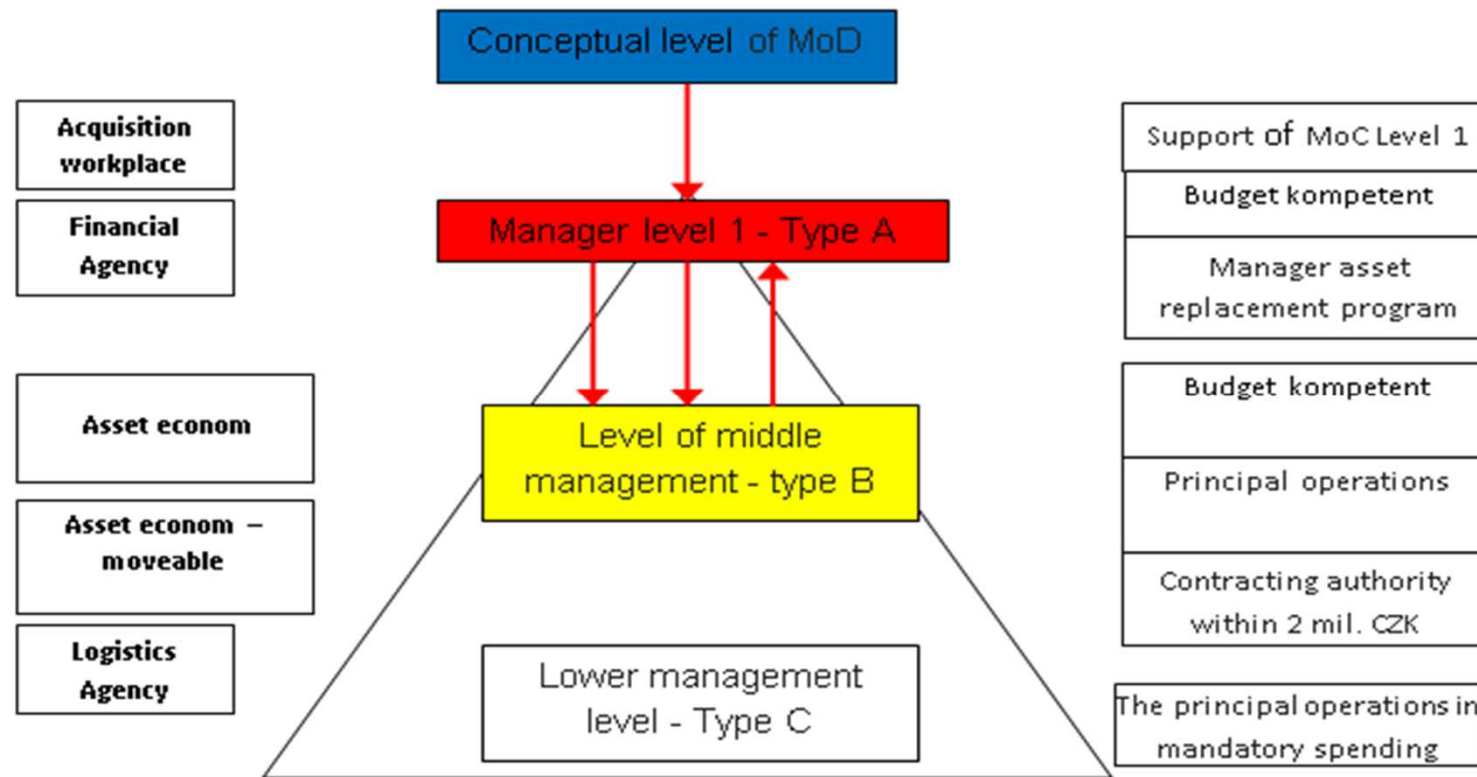
## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

Principal operations **by type:**

- **A** - Support Manager of objective Level 1 - economic management;
- **B** - Level of middle management - financial management;
- **C** - Level lower management - financial security

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

### Structure of economic management



Source: The concept of economic management in the Ministry of Defence. Prague: Czech Ministry of Defence. 2013 47 s. Ref. 121 / 2013-2013..

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

### Managers of objective Level 1 (type A):

- ☐ Manage the processing of documentation asset replacement program and deciding on the implementation of requirements in program funding;
- ☐ Manage the processing of documentation asset replacement program in program funding;
- ☐ Determining the needs of personnel and property resources;
- ☐ Approval of proposals to create or change organizational structures.



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## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

### Manager of the objectives of Level 1 (type A):

- ☐ Expert management;
- ☐ Carrying financial checks;
- ☐ Current management;
- ☐ Cost management;
- ☐ Controlling.

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

Distribution managers support the objectives of Level 1 (type A):

- I. MoD - civilian part (type A 1);
- II. MoD - military part (type A 2);
- III. military intelligence, Castle Guard, national sports teams (type 3 A).

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

### Dividing the scope of economic authority

#### Chief of Staff:

- Support Manager targets;
- Financial management and financial security section of the General Staff;
- Professional management bodies of economic support of Czech Army.

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

### A. Elements of economic management at middle management level (their scope ):

- Security CC Business Type B - supporting the principal operations;
- Management of financial resources and ownership of resources - support the manager objective;
- Management of economic services units subordinate (provided) bodies (devices) - Type C.



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## **4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services**

**The introduction of this method of resource management will be provided:**

- interdependence of physical and financial planning;
- transparency of the acquisition process;
- checking the availability of cash resources;
- Information linkage between economic services authority and the appropriate organizational unit budget administrator;
- relation to monitoring costs;
- legislative accuracy and completeness of prepared documents for public procurement of small scale.



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#### 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

**Economic management at middle management level in two groups:**

- **B1** – organizational units MoD at the brigade level or foundations;
- **B2** – are other organizational units MoD.

## 4. Economic management, financial management and financial support to various levels of command and control by the authorities, economic services

### elements supporting economic management to lower management level:

- I. **C1** – Organizational units MoD battalion level;
- II. **C2** – Other organizational units MoD;
- III. **C3** – Organizational units of the MoD, which have in their organizational structures created, systemized positions organs economic services.

## 5. Resources Defence funding

The basic resources for defence include:

- ☐ State population,
- ☐ Material resources and related services,
- ☐ Funds.



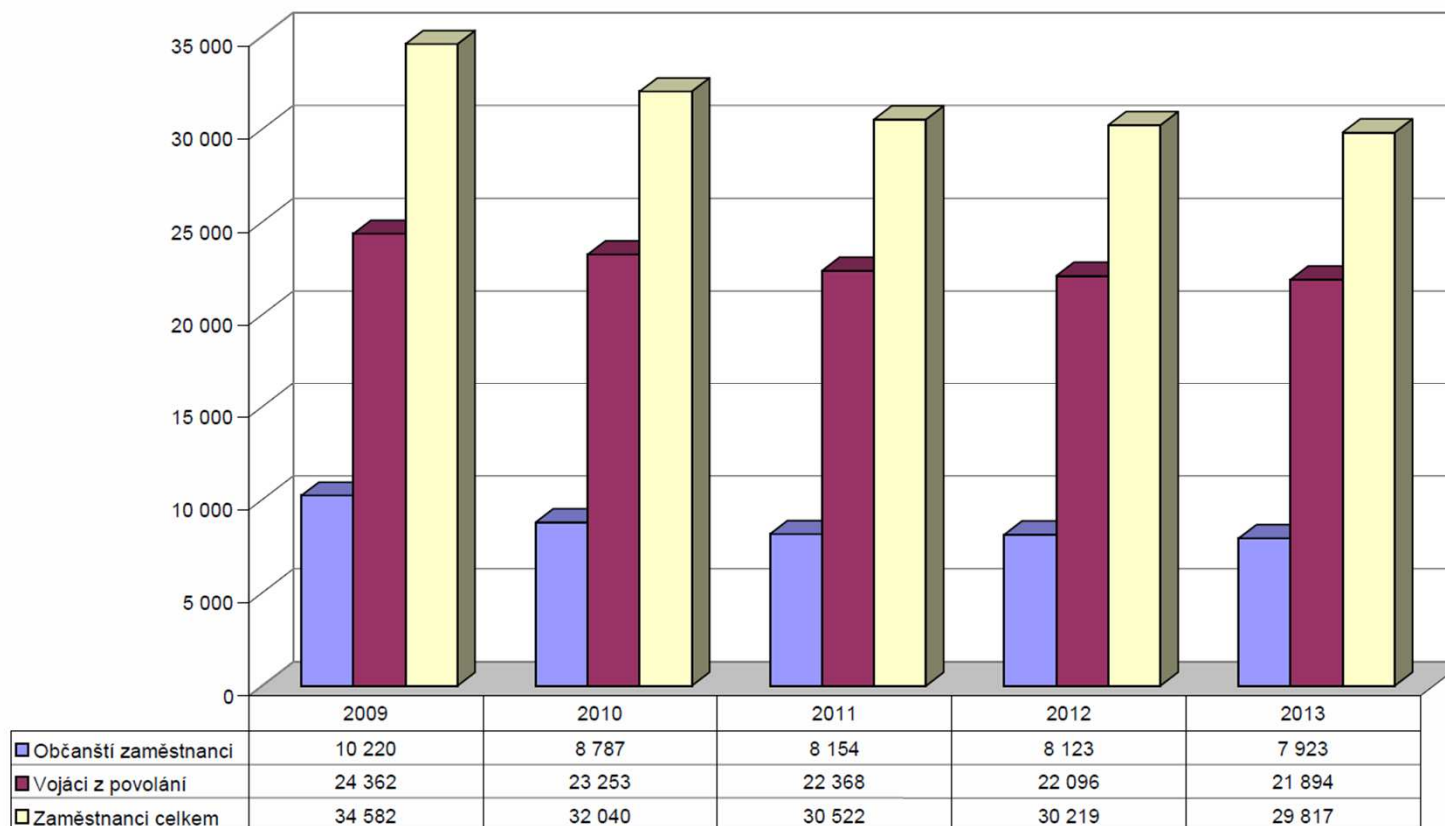
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# 5. Resources Defence funding

## Developments in human resources in the defense sector in the years 2009 - 2013



Source: Návrh závěrečného účtu státního rozpočtu České republiky za rok 2013, kapitola 307 – Ministerstvo obrany. Praha: Ministerstvo obrany České republiky. 2014. 283 s.

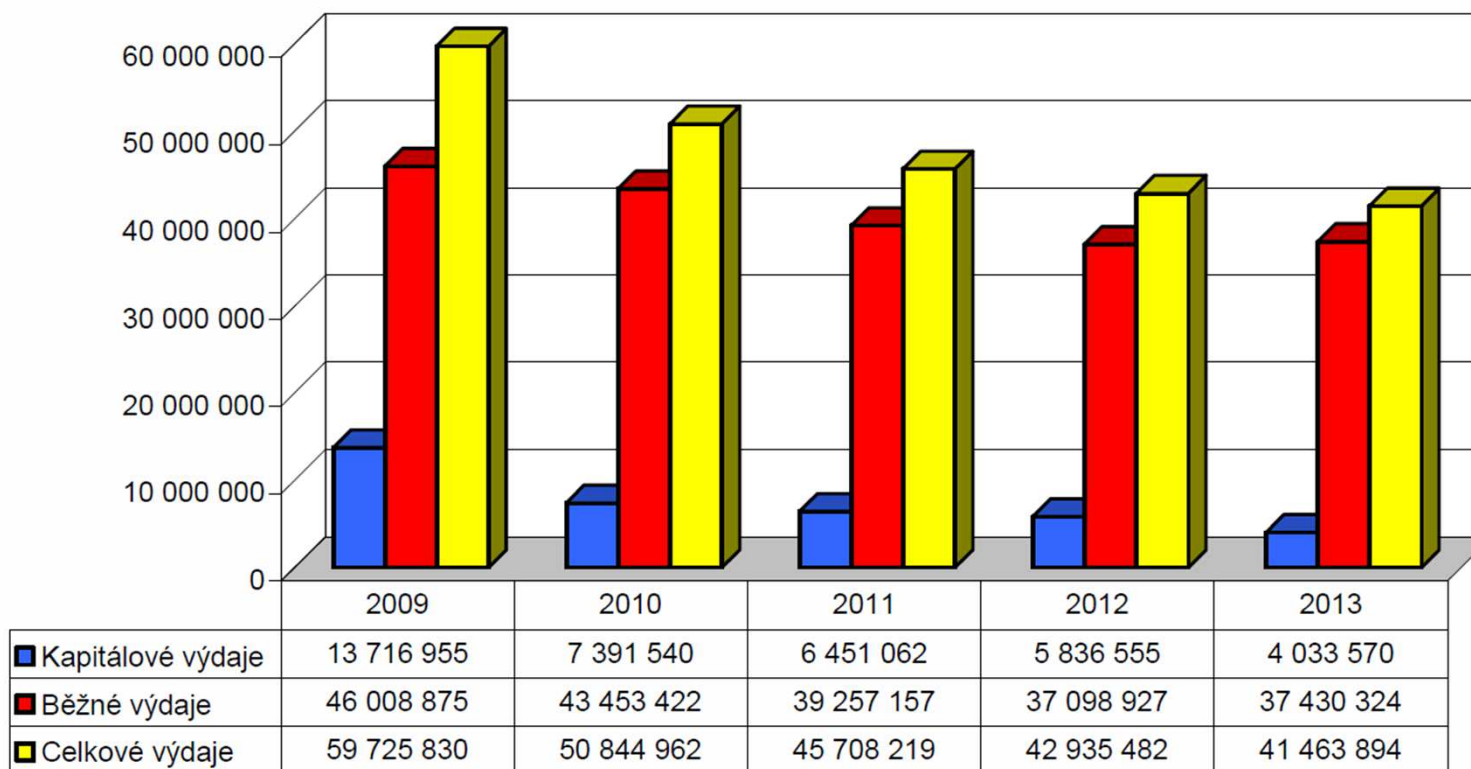


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# 5. Resources Defence funding

**Development of the withdrawal of funds in the defense sector in the years 2009 - 2013**



Source: *Návrh závěrečného účtu státního rozpočtu České republiky za rok 2013, kapitola 307 – Ministerstvo obrany. Praha: Ministerstvo obrany České republiky. 2014. 283 s.*



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## 5. Zdroje financování obrany

### Phasing budget preparation:

- I. Stage - compulsory expenditure
- II. Stage - verification of mandatory spending - Fixation
- III. Stage - non compulsory expenditure (NCE)
- IV. Stage - data verification (algorithmic control)
- V. Stage - submission of the draft budget
- VI. Stage - preparing 0. wheels of change management.

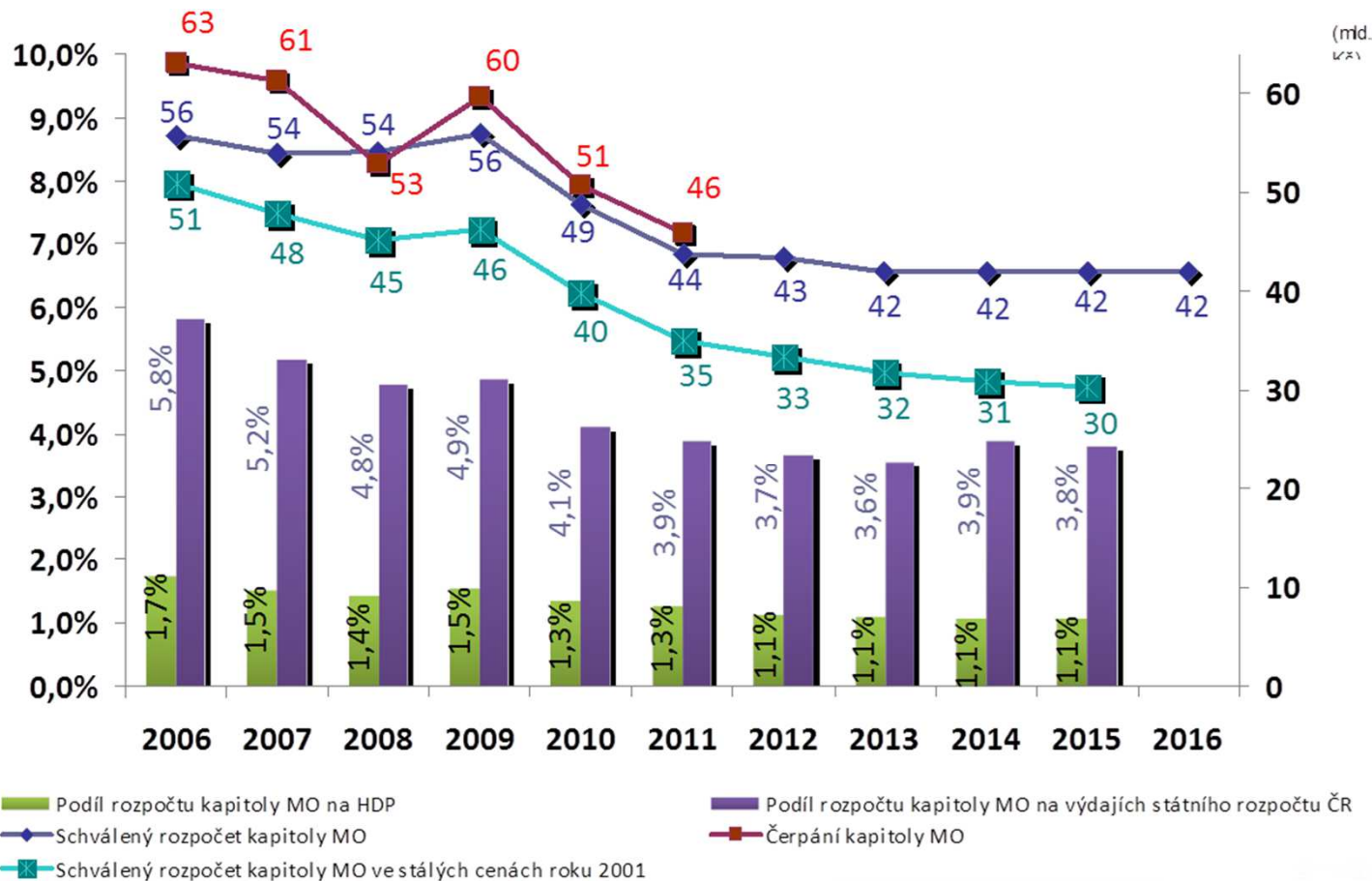


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# 5. Resources Defence funding

## Development expenditure in the defense sector in the years 2006 - 2016



Source: CUPÁKOVÁ, Blanka. Zpracování návrhu státního rozpočtu a střednědobého výhledu kapitoly 307 – Ministerstvo obrany (roky 2014 – 2016). Praha: Ministerstvo obrany České republiky. 2014. PPT.

## Klíčová slova

*Funding, resources, financial management, the system of economic management, financing expenses.*

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## List of tasks for students:

- 1) Explain the implementation of the system of economic management in the defence sector.
- 2) Explain the economic system resource management.
- 3) Explain the financial management system.
- 4) Characterize the economic management by the economic authorities in the defence sector.
- 5) Try to define and characterize the basic elements of financing the defence sector.