

# PROVISION OF PUBLIC SERVICES IN THE LIGHT OF CURRENT GLOBAL TRENDS

## POSKYTOVANIE VEREJNÝCH SLUŽIEB VO SVETLE SÚČASNÝCH GLOBÁLNYCH TRENDOV

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### I. Introduction

The activity of the public sector and, consequently, the operation of its agencies should primarily focus on the fulfilment of the four basic public functions, namely allocation, distribution, stabilization and regulatory functions. The essence of each of these functions is to promote public interest, with emphasis on the provision of public services. Views on the characteristics of public services vary according to the viewpoint of the discipline. Economists believe that public services are those in which state interference is justified by market failures; politicians perceive public services as activities necessary for their re-election and therefore do not hesitate to invest part of public budgets and the last is the “common sense” that public services are those, in which the provider is subject to a public service obligation, while the second characteristic is that parliament recognizes the need for their regulation by the state<sup>(1)</sup>.

Numerous activities can be defined as public services, including agriculture<sup>(2)</sup>. From expanding and developing mar-

kets for products and services, to improving safety and nutrition, governments' agricultural services are critical to the nation's health and well-being<sup>(3)</sup>. The rate of engagement of the public sphere in the national economies varies between individual countries. It is influenced by the trend in the public management sphere, which is currently dominant. Additionally, overall societal climate plays a crucial role. Especially in the European context, the persistent fiscal burden on public finances and the reduction in the number of employees have been noted, while the severity of the situation has been further supported by rising social security costs as a result of the financial crisis and demographic change. On the other hand, public authorities face increasing demands and expectations of the public on high-quality and affordable public services and the need to apply innovation<sup>(4)</sup>.

The overall societal climate influencing the shape, rate and functioning of public sector is created by external and internal factors, which can be grouped into following areas: political, economic/financial, social, technological, environmental and

<sup>(1)</sup> Bovaird and Loeffler (2016, a)

<sup>(2)</sup> Nogueira (2006)

<sup>(3)</sup> Capgemini (2018)

<sup>(4)</sup> Bosse et al. (2015)

#### Abstract (EN)

Provision of services by public sector is a concept, which has been implemented for many decades in various forms of economic arrangement. Public sector policies and public services have significant impact on almost all spheres of life including agriculture. Throughout the history, there were times with smaller and bigger importance of public sector within the economy. The conditions of public sector always depend on the actual trend applied in the sphere of public administration and public management. After the period of New Public Management accompanied by leaning away from the “public” concept, a return to stronger statehood and more intensive public sector can be seen. There are several reasons for such development, which are also called megatrends. Urbanization, demography and social changes, climate changes and development of technology belong to the most intensive ones. The presented review paper deals with the description of the mentioned trends and provides a reflexion on their influence on the public sector and provision of public services in particular.

#### Keywords (EN)

public sector, public services, megatrends

#### Abstrakt (SK)

Poskytovanie služieb verejným sektorom je koncept, ktorý sa uplatňuje po desaťročia v rôznych formách ekonomického usporiadania. Verejné politiky a verejné služby významne ovplyvňujú takmer všetky oblasti každodenného života vrátane poľnohospodárstva. Historicky možno nájsť obdobia s väčšou aj menšou dôležitosťou verejného sektora v rámci ekonomiky. Nastavenie verejného sektora vždy záviselo na momentálnych trendoch uplatňovaných v oblasti verejnej správy a verejného manažmentu. Po období Nového verejného manažmentu, ktoré bolo sprevádzané odklonom od konceptu “verejného”, možno badať návrat k štátnosti a intenzívnejšiemu vplyvu verejného sektora. Pre uvedený stav existuje niekoľko dôvodov, ktoré sa v odbornej literatúre nazývajú aj megatrendy. Medzi najvýraznejšie megatrendy patria urbanizácia, demografia, spoločenské zmeny, klimatické zmeny a rozvoj technológií. Predkladaný prehľadový príspevok sa zaoberá popisom spomínaných trendov a poskytuje reflexiu na ich vplyv na verejný sektor a poskytovanie verejných služieb.

#### Kľúčové slová (SK)

verejný sektor, verejné služby, megatrendy

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legal<sup>(5)</sup>. Many of these trends have been in place for many decades and do not create significant fluctuations in public sector approaches and activities, while others have been phenomena in recent years and require a rapid and flexible response.

Furthermore, they have been perceived so intensively by the professional public that they have begun to be called “megatrends” and increased attention is being paid to them within the public sector studies. In particular, they are: ever-increasing urbanization, demographic and social change (including inequality and migration), climate change and technology development<sup>(6),(7)</sup>.

## II. Material and Method

The presented review paper is focused on identification, description and evaluation of the mentioned megatrends and their influence on the provision of public services and public sector as such.

Since the nature of the paper is purely theoretical, the content analysis of the existing sources of literature and the method of synthesis of the gained information were the main methods used during the paper elaboration.

The literature contains books and papers of experts from the field of public management, reports of international organisations (such as the World Bank, the United Nations and the European Union) and even publications of companies for example PricewaterhouseCooper (PWC) and OMB.

## III. Urbanization

From a global perspective, more than half of the population currently lives in urban areas, and 1.5 million people add up to the urban population each week<sup>(8)</sup>. The proportion of the urban population in different parts of the world is as follows: North America (82%), Latin America and the Caribbean (80%), Europe (73%), Asia (48%) and Africa (40%)<sup>(9)</sup>. Such development dramatically increases the demand for infrastructure, services, job creation, climate and environment, which are all spheres of public sector competence. As a response to this situation, Resolution 71.256 called New Urban Agenda was adopted at the United Nations platform<sup>(10)</sup>. The document states that the increasing concentration of population, economic activities, social and cultural interactions and environmental and humanitarian impacts in cities is linked to major problems with housing, infrastructure, basic services, food security, health, education, decent jobs, security or natural resources. Therefore, in their vision, the signatories of the document have committed themselves to such functioning of cities that fulfill their social functions, in order to gradually achieve the full realization of the right to a reasonable standard of living, universal access to safe and affordable drinking water; hygiene facilities as well as equal access to public goods and

quality services in areas such as food safety, health, education, infrastructure, mobility and transport, energy, air quality and food for all.

The UN, however, is not the only platform dealing with urbanization and its impact on the public sector. The European Union also reacts to the above-mentioned problems in the document EU Urban Agenda, where the Preamble states that the development of urban areas will have a major impact on the future of the European Union’s sustainable development (economic, environmental and social) and its citizens<sup>(11)</sup>. The strategy for urban development implied by the document is built on three key areas: better regulation, better funding and better knowledge.

The principle of better regulation is based on the fact that the EU legislation is largely applied in urban areas and it has an impact on the local level of governance (whether in the area of state or self-government administration). The European regulations, though, often have conflicting character or insufficiently take into account the specificities of the different levels of governance, which should be prevented in the future by more active dialogue between the stakeholders involved in local development.

The principle of better funding stems from the fact that local government is a major beneficiary of the EU funds. However, the use of these funds is often administratively demanding, and therefore the EU Urban Agenda aims at improved availability and coordination of existing funding opportunities and contributing to their simplification.

The principle of better knowledge is based on the fact that there is fragmented knowledge about how urban areas are developing and the transfer of experience and good practice is often difficult. The EU Urban Agenda deals with the way how to improve the knowledge base of urban policy and the exchange of best practices<sup>(12)</sup>.

The action plans resulting from the above-mentioned documents will not be implemented without a dialogue involving all stakeholders, including the public sector agencies active at all levels, since many problematic areas caused by increasing urbanization fall precisely within the sphere of the public part of economy.

## IV. Demography and Societal Changes

The world population is expected to increase by more than 1 billion by 2030, bringing the total to more than eight billion. 97% of this growth will come from emerging or developing countries<sup>(13)</sup>. Equally significant is the opposite trend prevailing in developed countries, where birth rate is declining and population is aging. As a result, the population over 65 years is the fastest growing segment<sup>(14)</sup> and currently accounts for up to 12% of the world population<sup>(15)</sup>. This situation affects the public sector on several levels. On the one hand, the growing

<sup>(5)</sup> Bovaird, Loeffler (2016, b)

<sup>(6)</sup> PWC (2015)

<sup>(7)</sup> Lethbridge (2016)

<sup>(8)</sup> PWC (2015)

<sup>(9)</sup> Lethbridge (2016)

<sup>(10)</sup> United Nation (2016)

<sup>(11)</sup> European Commission (2016 )

<sup>(12)</sup> *Ibid.*

<sup>(13)</sup> PWC (2015)

<sup>(14)</sup> Lethbridge (2016)

<sup>(15)</sup> PWC (2016)

number of young people (under the age of 24) in developing countries is putting pressure on employment and is likely to be increasingly reflected in the gradual labor migration. On the other hand, in the prosperous countries, the proportion of the economically inactive population is steadily rising, causing both tax breaks in state budgets and a growing demand for social and health care<sup>(16)</sup>.

The impacts of demographic trends on the public sector has also other implications, namely the aging of the workforce employed in the public sector. According to OECD statistics, more than 30% of central government officials in 13 countries will leave in the next 15 years. The public sector must, therefore, rely on a much older workforce, which will have to work longer in the future. In this context, European governments must respond and re-evaluate the important elements of the current management of human resources in the public sector<sup>(17)</sup>.

The mentioned facts indicate potential problems in restoring the workforce in the public sector, and therefore steps need to be taken to solve the problem. Increasing the official retirement age is key in this respect, but the legislative measures themselves are not enough to ensure that employees remain “working” and “fit for work” up to a high age. Some authors highlight the need for a more holistic approach, which is essentially preventive, and takes into account a range of factors such as personnel policy, education and training, anti-discrimination based on age, health, job satisfaction, and working conditions in general<sup>(18)</sup>. However, it should focus not only on older employees but on all employees according to their different needs.

Part of this demographic megatrend is another phenomenon, namely the migration of the population and hence of the labor force. Migration and displacement of large numbers of people have emerged as global problems caused by the economic, social, political and environmental crises. There is evidence that local authorities are increasingly active in defining local policies for third-country nationals. In some countries, strong national policies are complemented by strong local policies; in other countries where national migration policies are absent, local authorities play an important role in promoting the integration of third-country nationals in society and the local economy<sup>(19)</sup>. The importance of the public sector in the reception and integration of migrants is indisputable. Organized and regulated integration of migrants, mainly linked to housing, employment, social protection, education and health-care, is largely dependent on the efficiency of the public sector, which, as has already been said, is struggling with budget cuts and labor-related problems<sup>(20)</sup>.

Despite the fact that at present the society copes mostly with the negative aspects of migration, it should not be forgotten that migration could also be used for the benefit of the public sector, for example by filling in the labor market outages. Although the status of third-country nationals on the labor market is often weak. In particular, the situation of women and

people with low levels of education is problematic. There is, therefore, a need for strategies aimed at facilitating and speeding up the recognition of their existing qualifications and training, mentoring and networking<sup>(21)</sup>. However, not all migrating labor force is low-skilled. Based on PWC data, the number of mobile workers has increased by 25% in the last decade and it is likely to increase by 50% by 2020. Moreover, while in the past “talent” tended to flow from east to west, by 2020 the globally interconnected markets will cause the labor force to move in all directions<sup>(22)</sup>. New ways of employing, including freelancing, work during extended business trips, virtual employment, or work on short-term projects, will increasingly be used.

Public sector activities should therefore focus on opportunities, not just on the threats posed by migration and other demographic trends. Only in such a way, the public sector will confirm its irreplaceable status and at the same time be able to cope with the established global situation while maintaining activities in public service provision and defending of public interest.

## V. Climate Changes

Third of the megatrends, which in the context of the importance of the public sector is not often inflamed but undeniably puts pressure on it, is the increasingly intensifying effects of climate change. Floods, typhoons, forest fires and earthquakes can lead to the destruction of housing and infrastructure, causing death, injuries and displacement of the population. In such cases, basic services such as food, water, hygiene, housing and health care are essential. The consequences of these disasters and their removal are addressed by public sector employees such as firefighters, cops and other rescue forces<sup>(23)</sup>. Particular importance should also be attached to preventive measures, for example in the field of education and awareness spreading. These activities are again linked to increased expenditures and intensification of public sector activities.

The impact on the functioning of the public sector is obvious, but any calculation of the cost of climate change is challenging. One problem, for example, is that the manifestations, and hence the impacts, of climate change are specific and reflect different conditions in different countries. However, there are also countries that perceive the benefits of climate change, or see new opportunities. Examples include knowledge sharing of water and coastal engineering (Netherlands), reduced winter mortality rate (UK), new tourism opportunities (Holland, UK, Sweden, Finland), longer agricultural production period (Denmark, Finland, Germany, Latvia) or better conditions for water and wind energy (Sweden, Finland, Latvia, Denmark)<sup>(24)</sup>.

Probably the most significant step in reducing the impacts of climate change is their formal recognition at the global level. Although individual states still play a central role, the growing number of agreements at global level increasingly influence de-

<sup>(16)</sup> Wolf, Amirkhanyan (2010)

<sup>(17)</sup> Bossaert, Demmke, Moilanen (2012)

<sup>(18)</sup> Bossaert, Demmke, Moilanen (2012)

<sup>(19)</sup> Lethbridge (2016)

<sup>(20)</sup> EMI (n.a.)

<sup>(21)</sup> Lethbridge (2016)

<sup>(22)</sup> PWC (2015)

<sup>(23)</sup> Lethbridge (2016)

<sup>(24)</sup> Burch (2010)

cision-making at national level<sup>(25)</sup>. Several transnational documents dealing with the issue have been adopted so far. The newest is the Paris Climate Change Agreement of 2015, which follows on the Kyoto Protocol.

An important area of coping with the impacts of climate change is identification of level, at which the necessary measures can be effectively implemented. In national contexts, these measures are summarized in the National Adaptation Strategies (NAS). NAS represents an action plan to address the impacts of climate change. It includes a combination of policies and measures to reduce the vulnerability of the landscape. Depending on the circumstances, it may be a comprehensive strategy adopted at the national level, covering cooperation between sectors, regions and affected populations, or may be more focussed only on one or two sectors or regions<sup>(26)</sup>. The NAS configuration and formulation thus indicate, which actors should be included in the implementation. Responses to climate change will, therefore, depend not only on the knowledge of the impact of extreme climatic events but also on the use of a comprehensive approach that takes into account all stakeholders at different levels, availability of resources and institutional capacity<sup>(27)</sup>.

Management systems, even in the case of NAS implementation, are often categorized as either hierarchical, market or networked, where each regime reflects and highlights the role of individual authorities and the form of interaction among actors<sup>(28)</sup>. As in other spheres of public administration, also in the case of NAS implementation, the hierarchical regime with dominant central government status was gradually weakened and the market principle was being promoted. On the other hand, some authors<sup>(29)</sup> identified several reasons why the market regime could fail:

- lack of knowledge - if the relevant actors are not sufficiently informed about ongoing environmental changes, the need to adapt or the available options,
- lack of capacity - if social actors do not have sufficient resources for early adaptation,
- lack of (self) interest - if ability and responsibility to adapt are not on those, who are ultimately hit by the negative impacts of climate change or if the long-term effects are not taken into account and
- lack of consensus - if several actors have to work together to achieve effective results.

In such cases, appropriate government interventions are needed, for example, the government can manage and process necessary information, take timely action, promote adaptive capacity building, internalize external effects, and resolve conflicts through effective regulation, tools and incentives<sup>(30)</sup>. Furthermore, contrary to the lower level of governance, the central government to smaller extent faces the lack of information and limited resources. That is why those are mainly centrally set

policies that send a clear message on what matters should be of interest and in what order.

## VI. Technological Development

The rapid development of technologies and the associated implementation of innovation in all spheres of life belong to the most striking trends currently resonating in the circles of the professional and lay public. Even in the past there have been periods of intense change such as industrial or agricultural revolution, but contrary to them, the digital revolution is not bound by borders. The development of digital technologies is constant, omnipresent and fast. 51% of CEOs around the world are currently implementing significant changes in how they use technology to assess and meet the expectations of all involved stakeholders<sup>(31)</sup>. Technological progress also puts pressure on the public sector, primarily through the expectations of customers, i.e. the population. In practice, these changes are reflected through digitization, which subsequently transforms itself into a concept known as e-government.

Digitization is, in principle, the acceptance or enhancement of the use of digital or computer technology by an organization, industry, country, etc. In the broader sense, digitization is defined as an economic and social transformation that has prompted massive adoption of digital technologies for generating, processing, sharing and gathering information<sup>(32)</sup>. Consequently, the e-government is considered to be any ICT adoption to facilitate the daily agenda of public administration and/or production and provision of public services to citizens through ICT<sup>(33)</sup>. Examples of the use of ICT in the public sector include software for automation of administrative processes, database systems, working process management systems, automated systems for supporting the decision-making, web services, e-services and information sharing cloud systems<sup>(34)</sup>.

There are several reasons for the implementation of e-government elements in the public sector. The most frequently mentioned are the reform of inefficiencies caused by the nature of bureaucracy<sup>(35)</sup>, ensuring efficiency and democracy in a cost-effective way, while ICT provides governments with the opportunity to compromise between these conflicting goals and the fact that new technologies enable effective regrouping of rights and obligations of stakeholders<sup>(36)</sup>.

All technological changes implemented within the e-government could be seen as introducing innovations in the public sector. Numerous publications deal with the phenomenon of public administration innovation, while the main reason of such attention is the difference between private and public sector. While in case of innovations, the private sector is driven by competitiveness, such stimulus is absent for the public sphere. However, this does not mean that public sector innovation is not important; contrary, the reasons for the importance of innovations in public sector could be summarized in the follow-

<sup>(25)</sup> Juhola, Westerhoff (2011)

<sup>(26)</sup> Niang-Diop and Bosch (2004)

<sup>(27)</sup> Laukkonen et al. (2009)

<sup>(28)</sup> Treib et al. (2007)

<sup>(29)</sup> see e.g. Berkhout (2005)

<sup>(30)</sup> Biesbroek et al. (2010)

<sup>(31)</sup> PWC (2015)

<sup>(32)</sup> Katz, Koutroumpis, Callord (2014)

<sup>(33)</sup> Cordella, Bonina (2012)

<sup>(34)</sup> Cordella, Tempini (2015)

<sup>(35)</sup> Clegg (2007)

<sup>(36)</sup> Gatautis (2008)

ing five points:

1. The size of the public sector – in majority of the OECD countries, the size of public sector is between 20% and 50% of GDP. The underlying logic of economic growth is that productivity growth is reflected in lower input costs, better organization, or increased output. Public sector innovation is potentially influencing all three of the aforementioned aspects.
2. Public sector entities have specific objectives that can be achieved through the introduction of innovative institutional measures<sup>(37)</sup>.
3. Creating of indexes, benchmarks and similar measures to guide public sector innovation goals by comparing best practice<sup>(38)</sup>.
4. The evolving economy, with technical and institutional changes, puts pressure on politics and the public sector simply to keep pace.
5. Taking into account the ever-evolving forms of public-private institutional partnership in the creation of innovation systems, one of the major intersections of private and public sector innovation is through the public setting of “the rules of game” for innovation in the private sector<sup>(39)</sup>.

In principle, it can be said that not only the private sector but also the public sector is constantly transforming. Transformation of governments and public administration is due to public expectations for increasing efficiency and productivity, but also to changing attitudes and demands for greater transparency and openness. In order to ensure smooth running of the public sector, it is essential that the central government with all the decentralized levels and with all the implemented public policies and provided public services will bear this pressure.

## VII. Conclusions

Even though the importance of public sector, including public policies and provision of public services, has been changing throughout different decades of economic development, it still influences almost all aspects of everyday life in countries worldwide. There are numerous fields, which belong to the public framework, while agriculture is one of them. The position of public sector heavily depends on the philosophies applied within the agencies of public administration but also on the trends presented in the society. Although recent history claimed lowering of importance of public area, latest societal development proves otherwise. In particular there are specific phenomena presented, which creates pressure on public sector involvement. These phenomena are also called megatrends and they include urbanization, demography and social changes, climate changes and development of technology. Urbanization represents migration of people to urban centres, what creates a pressure on offering of public services including food safety and environment. In order to cope with this situation, some documents have been adopted at international platforms such as the UN or EU, which committed the signatories to adopt measures securing the right to a reasonable standard of

<sup>(37)</sup> Shockley et al. (2006)

<sup>(38)</sup> Kouzmin et al. (1999)

<sup>(39)</sup> Potts, Kastele (2010)

living and sustainable development. Demography and societal changes, as the second megatrend, are reflected in the position of public sector mainly by increased unemployment in the one part of the world accompanied by increased pressure on social and health care system in the other. This imbalance leads to migration influencing the demand for social services. Another effect of demography is ageing of workforce in public sector. A possible way how to deal with this situation is look for positive aspects and turn them into opportunities. Both of the previously mentioned megatrends contribute to worsening situation regarding the third one, which is climate change. Due to the range of climate changes these days, they no longer can be sufficiently addressed by individual actions taken at the local level. Contrary, coordinated measures and activities in the form of public policies must be adopted at the global scale. The last mentioned megatrend – the development of technology – influences the public sector mainly through the stakeholders and satisfaction of their needs, what is in the centre of the customer focused approach currently used in the public management. Due to this approach, innovations, reforms and new philosophies must be gradually implemented by the public sector; furthermore, the public sector needs to create suitable institutional environment for their creation and implementation also in other sectors.

Based on the conducted theoretical research it can be concluded that the global situation does not suppress the importance and activities of public sphere. Contrary, the nature of current development trends require strong, self-confident and adaptable public sector, which is able to secure smooth implementation of public policies, which get reflected in well-being of inhabitants.

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