

1. Definition of the public sector

structure of the national economy, relation between the public and the private sector

Welcome to this presentation on public finance, a critical component of economics, management, and public administration. We'll explore its relationship with other disciplines, its role in the national economy, and its theoretical frameworks. Through this presentation, we will delve into how public finance shapes resource allocation, redistribution of wealth, and economic stability within a state.

We will analyze the structure of the public sector, its financing mechanisms, and its impacts on both national and local levels. Join us as we navigate the complexities of public finance and its pivotal role in ensuring public welfare and effective governance.

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Public Finance and Related Disciplines

Core Financial Relations

Public finance involves specific financial relationships between public administration bodies and other entities, such as households, firms, and non-profit organizations, within an economic system. These interactions are crucial for understanding how resources are managed and distributed.

Scope of Public Administration

The scope of public administration includes both state and self-governing organizations. This dual structure ensures a comprehensive approach to governance, incorporating centralized and decentralized elements for effective public service delivery.

What are Public Finances?

Public finances deal with how the government **collects and spends money** to keep the country running. This includes funding schools 🎓, hospitals 🏥, roads 🛣️, and emergency services 🚒.

Who Manages Public Money?

There are **two main groups** in charge:

- **State administration** 🏛️ – The central government, which handles national services like highways and defense.
- **Local governments** 🏠 – Cities and regions, which use money for local services like public transport and schools.

🎂 Example: Public Finance as a Birthday Party

Think of a **big birthday party** that your family is planning. They collect money from different relatives (like taxes) and use it to pay for:

- 🍕 **Food and drinks** – Similar to education and healthcare.
- 🎈 **Decorations** – Like public services and roads.
- 🎁 **Emergency funds** – Just in case something unexpected happens.

If they **spend more than they have**, they need to **borrow money**, just like governments do when running a deficit.

🤔 Why Do We Need Public Finance?

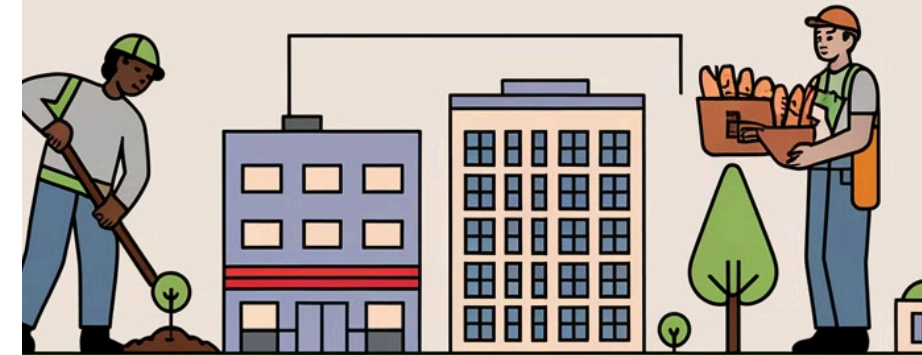
Public finance helps with **three key things**:

1. 🏠 **Allocating resources** – Making sure money goes where it's needed (like hospitals).
2. 💰 **Redistributing wealth** – Helping those in need through social programs.
3. 📈 **Keeping the economy stable** – Preventing financial crises and inflation.

💡 Quick Recap

- ✓ Public finance = **Government managing money wisely** 💰
- ✓ Handled by **state & local authorities** 🏛️
- ✓ Funds **essential services** 🚑🏠🌳
- ✓ Keeps the **economy running smoothly** 📊

Resource Allocation



Wealth Redistribution



Economic Stabilization

Three Fundamental Functions of Public Finance

1 Allocation Function

The allocation function ensures resources are directed to areas underserved by market forces, correcting inefficiencies and promoting social welfare. This involves strategic investments in public goods and services.

2 Redistribution Function

The redistribution function involves transferring resources across different levels, typically through taxation and transfer payments. This aims to reduce inequality and provide a safety net for vulnerable populations.




3 Stabilization Function

The stabilization function is designed to mitigate economic fluctuations, promoting steady growth and minimizing the impacts of recessions. This involves fiscal policies that can stimulate or dampen economic activity.






The Three Main Functions of Public Finance

Public finance isn't just about collecting and spending money—it plays a crucial role in **keeping the economy balanced and fair**. It has **three main functions**:

1.  **Allocation Function** – Ensuring that **money goes where it's needed** but isn't naturally provided by the market (e.g., public schools, highways, police forces).
2.  **Redistribution Function** – **Rebalancing wealth** through taxes and social programs, so that lower-income individuals receive support (e.g., pensions, unemployment benefits).
3.  **Stabilization Function** – **Reducing economic ups and downs** by controlling inflation, unemployment, and government spending during economic crises.

Public Finance and Other Fields

Public finance is closely related to:

-  **Public Economics** – Studies how government policies affect the economy.
-  **Public Sector Economics** – Examines how public institutions manage resources.
-  **Nonprofit Sector Economics** – Focuses on financial management in charities and NGOs.





What is an NGO? (Non-Governmental Organization)

An **NGO (Non-Governmental Organization)** is a group that **helps people or the environment without making a profit**. Unlike governments or businesses, NGOs focus on solving **social, environmental, or humanitarian problems**.

Example of an NGO from the Czech Republic: **Člověk v tísni (People in Need)**

One of the most well-known **NGOs in the Czech Republic** is **Člověk v tísni (People in Need)**. This organization was founded in the 1990s and helps **people affected by poverty, natural disasters, and war**.

What Does It Do?

- **Provides humanitarian aid**  to countries suffering from war and disasters (e.g., Ukraine, Syria).
- **Supports education**  by funding schools and programs for disadvantaged children.
- **Fights poverty**  by helping people find jobs and improve their living conditions.
- **Promotes human rights** , supporting journalists and activists worldwide.

Example of Their Work

During the floods in the Czech Republic in **2002 and 2013**, Člověk v tísni **helped rebuild homes, provided financial aid to families, and distributed essential supplies.**

How is Člověk v tísni (People in Need) Financed?

As an **NGO**, Člověk v tísni **does not make a profit**—instead, it relies on different sources of **funding** to support its projects. These include:

1 Public Donations

- The organization receives money from **individuals** who donate through bank transfers, SMS donations, or fundraising events.
- Many people **sign up for regular monthly contributions**, which provide stable funding.
- Example: During humanitarian crises (e.g., the war in Ukraine), thousands of Czech citizens sent money to support affected people.

2 Government and EU Grants

- The Czech government and the **European Union** provide grants for projects like **education, disaster relief, and poverty reduction.**
- Example: The EU funds projects that improve education for Roma children in the Czech Republic.

3 Corporate Sponsorships 🏢

- Large companies **partner** with Člověk v tísni to support its work.
- Example: Banks or energy companies donate money for specific programs, such as **helping families in debt** or providing scholarships.

4 International Organizations 🌍

- The organization also receives funding from **UN agencies, the World Bank, and other international NGOs** that support global humanitarian projects.
- Example: The **United Nations** helps fund emergency aid in disaster-affected countries.

5 Profits from Social Enterprises 📈

- Člověk v tísni runs **small social businesses**, such as fair-trade products, that generate income for their activities.
- Example: They support **social housing projects** where tenants pay rent, helping sustain the initiative.

🔍 Summary

The NGO is financed by a mix of **donations, grants, corporate partnerships, and international support**. This ensures they can continue helping people **without relying on a single source of income**.

Other Famous NGO Examples

- 🌱 **Greenpeace** – Protects the environment and fights climate change.
- 🚑 **Red Cross** – Helps people in disasters and provides medical aid.
- 🎒 **UNICEF** – Supports education and healthcare for children worldwide.

💡 Example: Government Acting Like a Family Budget

Imagine your family managing household finances:

- If the **kitchen is broken**, they **allocate** money to fix it.
- If **one sibling gets more pocket money than the other**, they **redistribute** funds fairly.
- If a **financial crisis hits**, they **stabilize** by saving money or cutting unnecessary expenses.

That's **exactly** how public finance works for a country! 🚀

Public Economics: The Theoretical Foundation

Theoretical Basis

Public economics serves as the theoretical foundation for applied disciplines like public sector economics and non-profit economics. It provides the analytical tools and frameworks necessary for these fields.

Overlapping Themes

Economics of the public sector and non-profit organizations often overlap in certain themes, creating a complex interplay that requires nuanced understanding and research.

Applied Focus

These disciplines apply theoretical insights to real-world scenarios, examining the practical aspects of public and non-profit activities and their impacts on society.





Public Economics: The Basics

What is Public Economics?

Public economics is **the theory behind how governments and nonprofits handle money**. It helps explain **how public services like schools, hospitals, and infrastructure are funded**.

There are two main areas that come from public economics:

1. **Public Sector Economics** 🏛️ – Studies how **governments manage money** for things like roads, police, and public education.
2. **Nonprofit Economics** 🤝 – Focuses on **charities and organizations** that help people without making a profit.

These two fields **sometimes overlap**. For example, a **hospital** might be **partly funded by the government** but also **receive donations from charities**



Example: A Public Library

- The **government pays** for the building, staff, and books (public sector).
- A **nonprofit organization donates extra books or runs literacy programs** (nonprofit sector).
- **Together, they help more people get access to education for free.**

Public economics helps us **understand how money is used to benefit everyone.** 🚀

Economics of the Public Sector



Applied Discipline

Economics of the public sector is an applied discipline that examines the functioning of various branches within the public sector, providing a comprehensive understanding of their operations.



Sector Analysis

It analyzes how different sectors of the government operate, from healthcare to education, and assesses their effectiveness and efficiency in delivering public services.



Policy Implications

The insights gained from this discipline inform policy decisions, helping governments make informed choices that benefit society as a whole.



Applied Discipline

Public sector economics is a **practical field** that studies how different government branches work. It helps us understand how the **government manages money and resources** to provide services like schools, hospitals, and roads.

Sector Analysis

This part examines **how different government sectors function**—for example, **healthcare, education, and transportation**. It looks at how well these services are provided and **whether they use resources efficiently**.

Policy Implications

The knowledge gained from public sector economics helps **governments make better decisions**. It provides insights that influence **public policies**, ensuring that money is spent wisely to **benefit society as a whole**.

Example: How This Works in Real Life

Imagine a government needs to decide whether to **build more hospitals** 🏥 or **improve schools** 🎓.

- **Sector Analysis** helps check which area needs more support.
- **Policy Implications** guide the government on how to distribute funds effectively.
- **Public Sector Economics** ensures that these decisions **help people and use money efficiently**.

Economics of Non-Profit Organizations

1

Structures and Laws

This section looks at the **rules and legal structures** that govern non-profits. It ensures they follow the law and manage their operations correctly.

✓ Example: A charity must **register as a legal entity** and follow financial regulations to ensure transparency.

2

Functioning of NGOs

It studies **how non-profits operate**, including **funding models, leadership, and financial sustainability**. This helps improve their efficiency and long-term impact.

✓ Example: NGOs **raise money** through donations, grants, or social enterprises to fund their activities.

3

Role in Society

Non-profits **fill important gaps** where the government or private sector may not provide enough support. They contribute to **social welfare, advocacy, and community development**.

✓ Example: A food bank **helps people in poverty** by distributing meals where government programs fall short.

Understanding **how non-profits work** helps improve their **effectiveness, funding, and impact on society**. 🚀

Public Finance: A Separate Field of Study

1

Separate Discipline

Over time, **public finance** has separated from **public economics** and become **its own independent discipline**. It focuses on studying **financial flows that support the nonprofit sector** and public institutions.

2

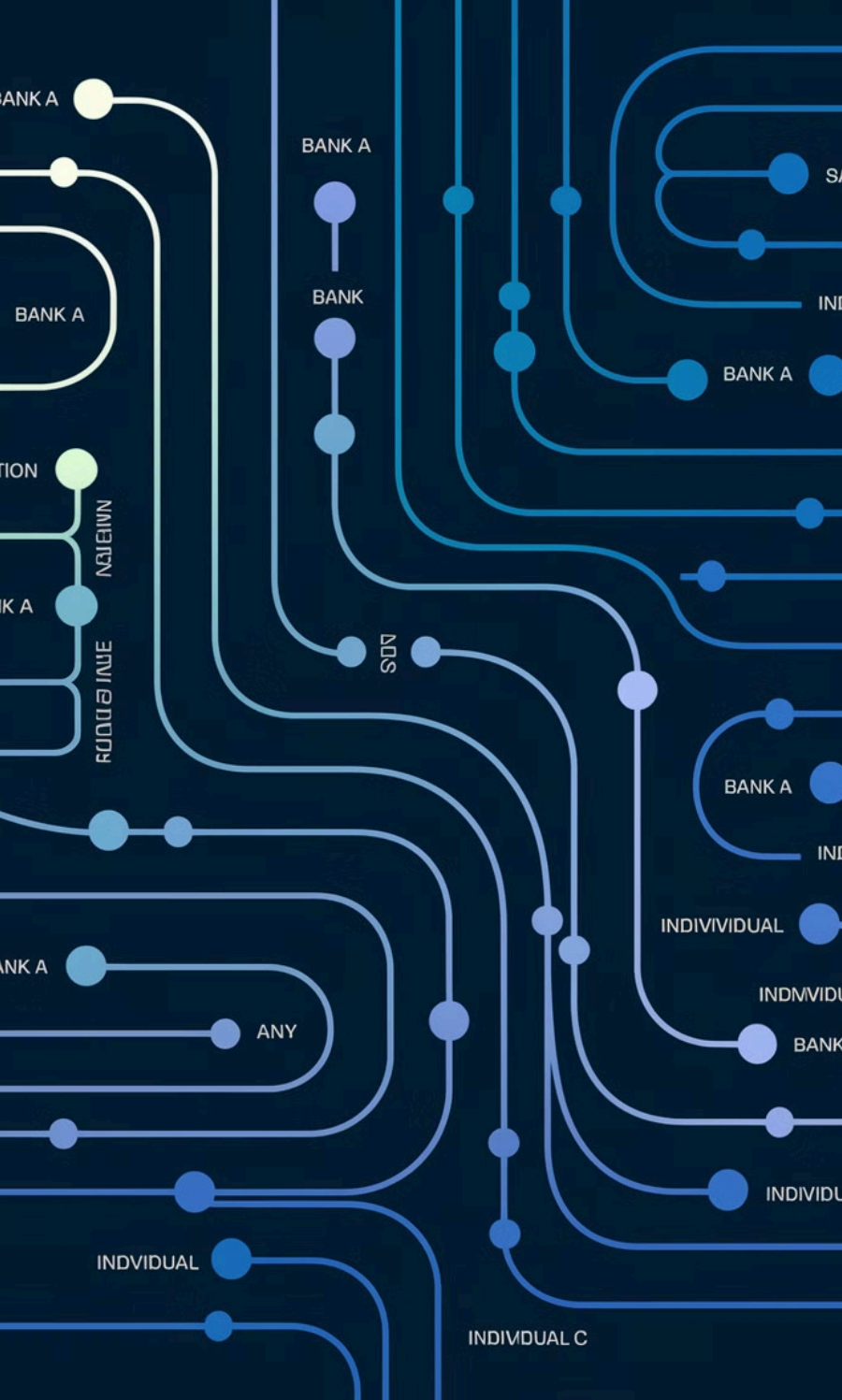
Financial Flows

It examines the financial relationships involved in the creation, redistribution, and use of monetary funds related to public bodies, ensuring effective resource management and accountability.

3

Public Bodies




Public bodies and institutions are central to this discipline, as it explores the economic impacts of their financial activities and decisions, ensuring alignment with public interests.



Easier said that...

What Does Public Finance Study?

Public finance examines **how money is collected, distributed, and used** in relation to government and nonprofit organizations. Specifically, it looks at:

-  **Creation of financial funds** – Where does public money come from? (e.g., taxes, government borrowing)
-  **Redistribution of funds** – How is money transferred between different sectors? (e.g., social benefits, subsidies)
-  **Use of funds** – How is public money spent? (e.g., education, healthcare, infrastructure)

Example: Public Finance in Action

Imagine a **government hospital**:

- **Public** help create a budget for public healthcare.
- The money is **redistributed** to different hospitals based on their needs.
- The hospital **uses the funds** to pay for doctors, medicines, and equipment.

Public finance **ensures that public money is managed efficiently** to benefit society as a whole. 

Speaking about the "hospital issue"


In the **Czech Republic**, **public hospitals** receive money from two main sources:

1 Public Health Insurance (Veřejné zdravotní pojištění)

This is the **main source of funding for healthcare** and is paid by employees, employers, and the state (for children, pensioners, unemployed people, etc.).

What it covers in hospitals:

- Medical treatments (doctor visits, surgeries, hospital stays)
- Medications given in hospitals
- Preventive care (e.g., cancer screenings, vaccinations)
- Rehabilitation and physiotherapy

 **Example:** If you break your leg and need surgery, your treatment in a public hospital is covered by **health insurance**, so you don't pay directly.

Speaking about the "hospital issue"

In the **Czech Republic**, **public hospitals** receive money from two main sources:

2 Taxes (Daně) 💰















Taxes help **fund areas of healthcare that are not directly covered by health insurance.**

✓ What it covers in hospitals:

- Construction and maintenance of hospitals (new buildings, renovations)
- Medical education (training new doctors and nurses)
- Emergency services (ambulances, crisis preparedness)
- Research and public health programs

🏗️ **Example:** If a hospital needs a **new MRI machine**, or if the government wants to build a **new hospital wing**, this is paid from **taxes**, not health insurance.

Summary: Who Pays for Czech Healthcare?

Expense	Funded by Health Insurance 	Funded by Taxes 
Doctor visits, surgeries, hospital stays	 Yes	 No
Medicines used during hospital treatment	 Yes	 No
Preventive care (screenings, vaccinations)	 Yes	 No
Construction of new hospitals	 No	 Yes
Training new doctors & nurses	 No	 Yes
Emergency services (ambulances)	 No	 Yes

This system **ensures free or low-cost healthcare for citizens** while maintaining and improving hospitals. 

Structure of Public Economics

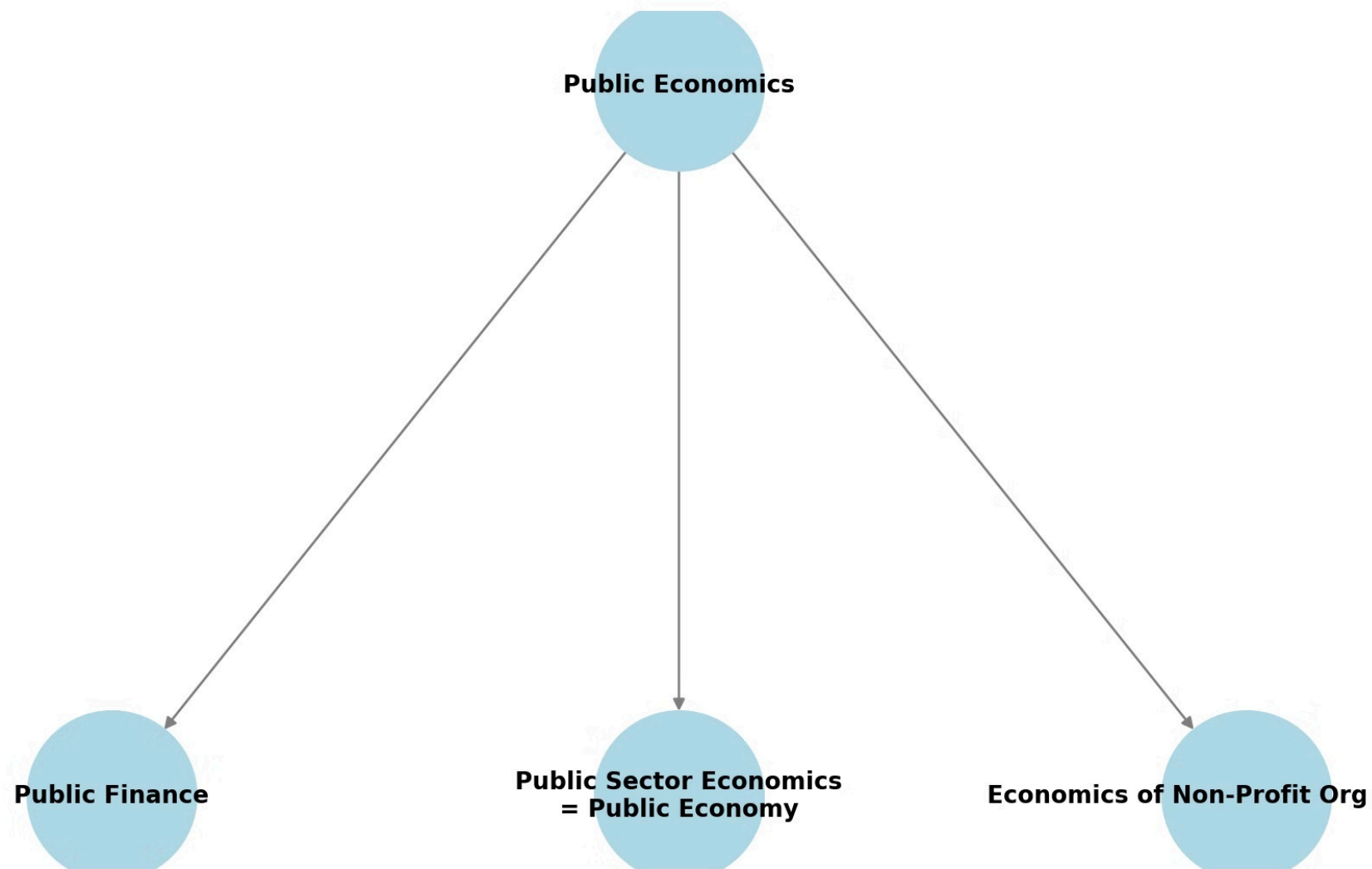


Image: Public Finance and Its Relationship to Other Related Disciplines



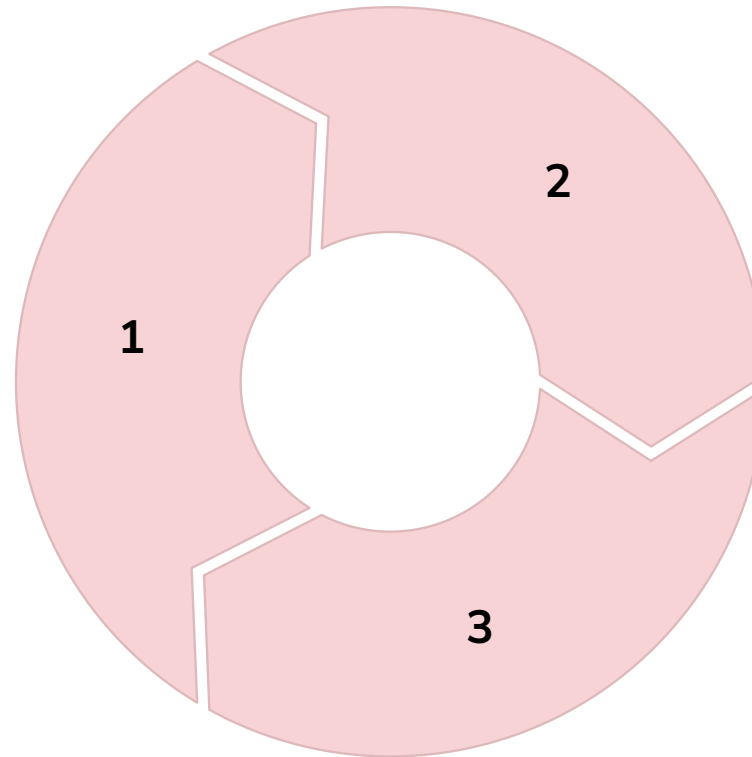
This structure shows that Public Economics is the main field, which branches into three areas:

- **Public Finance** – Studies financial flows related to government and public institutions.
- **Public Sector Economics (Public Economy)** – Focuses on how the public sector operates.
- **Economics of Non-Profit Organizations** – Examines how NGOs and charities function.

Public Sector in the National Economy

National Economy

The public sector is a significant part of the national economy, representing the economic activity within a state. It influences various sectors and impacts overall economic health.



Key Component

Understanding its role requires categorizing the national economy based on criteria such as industry, sector, space, ownership, and financing. This classification helps clarify the public sector's position.

Economic Impact

The public sector's operations, including spending and investments, directly affect economic growth, employment, and the distribution of wealth. Effective management is essential for stability.

What Is The Share of the Public Sector on the National Economy?

In the Czech Republic, the **public sector** plays a significant role in the economy. As of 2023, **government expenditure** accounted for approximately **44.65% of the country's Gross Domestic Product (GDP)**.

IMF www.imf.org



This percentage reflects the government's involvement in various sectors, including healthcare, education, infrastructure, and public services. It's important to note that the size of the public sector can vary over time due to policy changes, economic conditions, and government priorities.

But what does it mean?

Example: Imagine the Czech Economy as a Household Budget

Suppose **your family earns 100,000 CZK per year.**

- Your **parents (government) manage 44,650 CZK**, which they spend on rent, food, and services for the whole family (public sector).
- The remaining **55,350 CZK is earned and spent by the family members individually** (private sector).

Just like your parents **don't own all the money**, the government **doesn't own 44.65% of the economy**—it just **spends that amount on public services.**

What Does the Government Spend This 44.65% On?

- **Education** 🎓 (schools, universities)
- **Healthcare** 🏥 (hospitals, doctors' salaries)
- **Infrastructure** 🚧 (roads, public transport)
- **Social benefits** 💰 (pensions, unemployment support)
- **Defense and police** 🚓
- **Government salaries** 👤 (teachers, police officers, firefighters)



🤔 **Why Are Government Expenses Included in GDP If GDP Measures Value Added?**

How can government spending (which is an expense) be added to GDP, while businesses contribute through value added (revenue minus costs)?

What Is GDP, Really?

GDP (**Gross Domestic Product**) is **not** a measure of revenue. Instead, it's a measure of the **total value of all final goods and services produced** in a country within a year.

There are **three ways to calculate GDP**, and they all give the same result:

1 Production Approach (Value-Added)

- **GDP = Sum of all value added in production** (e.g., companies add value when they turn raw materials into finished products).

2 Income Approach

- **GDP = Sum of all incomes earned** (wages, profits, rents).

3 Expenditure Approach

- **GDP = Total spending in the economy**
- This is the most common method and is calculated as:

GDP = C + I + G + (X - M); where **C** = Household consumption (spending by people), **I** = Investments (business spending on equipment, buildings), **G** = **Government spending** (on salaries, infrastructure, public services), **X - M** = Exports minus imports (net trade).

Why Does Government Spending (G) Count?

- When businesses **produce goods**, they add value, which contributes to GDP.
- But the **government also "buys" services** (e.g., pays teachers, builds roads, funds hospitals).
- Even though it **doesn't sell goods for profit**, the **public sector still produces value** by providing services.

Example:

- A private hospital earns money from patients = **private sector GDP**
- A public hospital provides healthcare for free, funded by taxes = **still GDP**, because healthcare is produced and consumed.

If government spending wasn't counted, **we would ignore the value of public services**, even though they **add real economic value** (people are treated, roads are built, etc.).

Businesses vs. Government in GDP

- ✓ **Businesses add value by producing goods & services** 🏢
- ✓ **Government adds value by providing public services, funded by taxes** 🏛️

Even though businesses count **only the value they add** (not total revenue), government spending **represents the value of public services provided**.



The Economy in the Equilibrium (Balanced State):

- $GDP = \text{Sum of all value added in production}$
- $GDP = \text{Total spending in the economy}$

THEN $\rightarrow GDP = \text{Sum of all value added in production} = \text{Total spending in the economy}$

Total Value of Production (Supply) = Total Spending (Demand)

This is because every **good or service produced** must be **purchased by someone** (either consumers, businesses, government, or foreign buyers).



Why Does This Work?

Since GDP can be measured by both **production** (what is made) and **expenditure** (what is spent), they must be **equal in theory**:



Why Does This Work?

Since GDP can be measured by both **production** (what is made) and **expenditure** (what is spent), they must be **equal in theory**:

1 Production Approach (Supply)

- Measures **value added at each stage of production**
- **Example:** A bakery buys flour (raw material) for **CZK 10**, makes bread, and sells it for **CZK 30**.
 - **Value added = CZK 20** (because raw material value was already counted).
- If this happens across the entire economy, the sum of all value added gives us **GDP by production**.

2 Expenditure Approach (Demand)

- Measures **how GDP is spent** by different groups:
GDP = C + I + G + (X - M)
- Every good or service produced is **eventually bought by**:
 - **Consumers (C)**  → Buying food, clothes, electronics
 - **Businesses (I)**  → Investing in factories, technology
 - **Government (G)**  → Funding healthcare, education, infrastructure
 - **Foreigners (X - M)**  → Buying exports, minus imports



💡 Does This Always Hold?

Yes, in theory. But in the real world, short-term imbalances happen due to:

- ❌ **Unsold goods (Inventories rise)** – If companies produce more than people buy, stocks pile up 📦.
- ❌ **Imports vs. Exports** – If a country imports more than it exports, spending goes abroad.
- ❌ **Savings & Investments** – If households **save more than businesses invest**, demand can fall.

🔄 **But over time, the economy adjusts** – businesses slow production if demand drops, or increase it if demand rises. That's why, in the long run, **total production tends to equal total spending.**

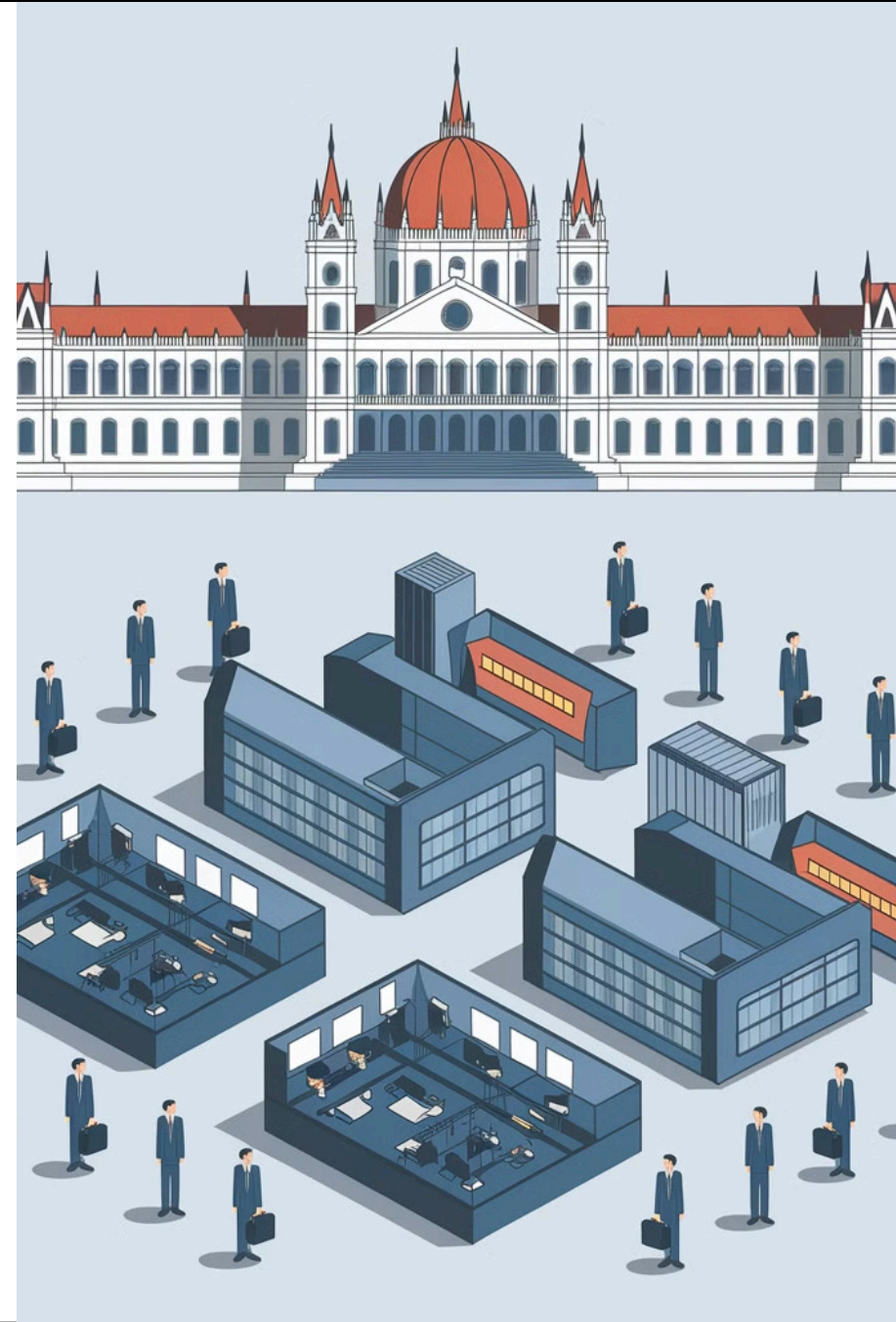


Summary: Public vs. Private Sector in GDP

✓ **Public sector (44.65% of GDP)** 🏛️ → Government spending on services and salaries

✓ **Private sector (55.35% of GDP)** 🏢 → Businesses and individuals earning money from work, investments, and sales

This means the **Czech economy is a mix of both** – not fully controlled by the government, but with a strong public role in services.



**Excess 3
leads 0-
demand.**


Raelarnrit Spending

**Higher prices 3 leads
to decreased demand.**

When Government Spending Increases Inflation (Demand-Pull Inflation)

If the government **spends too much** while the economy is already running at full capacity, it **adds extra demand** without increasing supply. This leads to **higher prices** (inflation).

Example:

- The government **injects money** into the economy (higher wages, new projects).
- People **have more money to spend**, but businesses **can't produce more** quickly.
- **Prices go up** because demand is higher than supply → **Inflation rises** .


This is called **demand-pull inflation**, where **too much money** chases **too few goods**.



When Government Spending Does NOT Increase Inflation

If there is **unused capacity** (e.g., high unemployment, weak economy), **government spending can boost growth without causing inflation.**

Example:

- If the economy is in a **recession**, businesses aren't producing at full capacity.
- The government spends money on **infrastructure projects** (roads, hospitals).
- **More jobs are created**, people earn more, and **economic growth increases** .
- Since supply also increases, **inflation stays low.**

This is why, during recessions, governments use **stimulus spending** to **restart the economy without inflation risks.**

What Happens If Government Spending Is Uncontrolled?

If the government **keeps borrowing and spending excessively**, it can create **high inflation or even hyperinflation** (when money loses value very fast).

Extreme Case Example:

- If a government prints money to finance spending **without increasing real production**, the money supply grows **too fast** → **prices spiral out of control** (e.g., Venezuela, Zimbabwe).

Czech Republic: Government Spending and Inflation

- Czech inflation has been influenced by **government stimulus, energy prices, and supply chain issues**.
- If the **Czech government spends too much** during an already overheated economy, it could worsen inflation.
- On the other hand, **spending on productive investments** (like infrastructure) can help grow the economy **without causing inflation**.

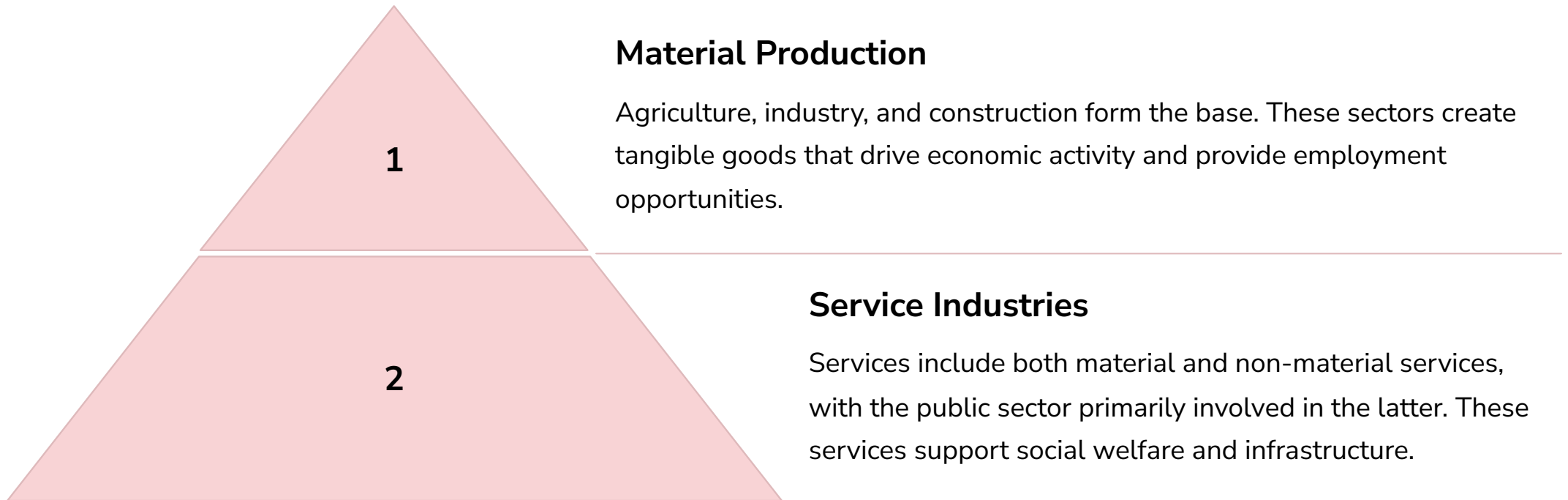


Summary

- ✓ **More government spending = Higher inflation** if the economy is already at full capacity.
- ✓ **More government spending = No inflation (or even growth)** if the economy is in a slowdown.
- ✓ **Too much government borrowing = High inflation risks** in the long run.



Criteria for Analyzing the National Economy: Industry



Public Sector's Role in Non-Material Services

1

Critical Functions

The public sector plays a vital role in providing essential non-material services such as police, justice, and healthcare. These services are crucial for societal well-being.

2

Essential Services

These services ensure safety, uphold the rule of law, and maintain public health, contributing to a stable and productive society.

Criteria for Analyzing the National Economy: Sectors (Classical View)

Primary Sector

The primary sector involves extractive industries like mining, agriculture, forestry, and fishing. These activities provide raw materials for other sectors and are essential for food and resource security.

Secondary Sector

The secondary sector encompasses manufacturing and construction, transforming raw materials into finished goods and infrastructure. This sector drives industrial growth and employment.

Tertiary Sector

The tertiary sector includes all services, ranging from retail and tourism to finance and healthcare. It supports both primary and secondary sectors and caters to consumer needs.

Criteria for Analyzing the National Economy: Sectors (Modern View)

1 Quaternary Sector

The quaternary sector comprises services that meet human social needs, such as public administration, police, justice, and the military. These services ensure societal order and security.

2 Quintenary Sector

The quintenary sector focuses on services that promote human development, including education, culture, healthcare, science, and research. These activities enhance human capital and innovation.



Public Sector as Part of the Quaternary and Quintenary Sectors

Essential Component

The public sector is a necessary component of the quaternary and quintenary sectors, providing essential services and infrastructure that support societal well-being and development.

Critical Roles

Its roles in these sectors include administering justice, providing healthcare, and fostering education, contributing to a stable and prosperous society.





Criteria for Analyzing the National Economy: Space



Territorial Units

Space criteria divide territory based on the organization of public administration, using classifications like NUTS (Nomenclature of Units for Territorial Statistics) to standardize territorial units.



Statistical Units

These units provide a framework for statistical analysis and policy-making, enabling comparisons and assessments across different regions and levels of government.

CZ-NUTS Levels in the Czech Republic

1

NUTS 0

NUTS 0 represents the Czech Republic as an administrative unit, providing a national-level perspective for statistical and policy purposes. This level captures overall economic and social trends.

2

NUTS I

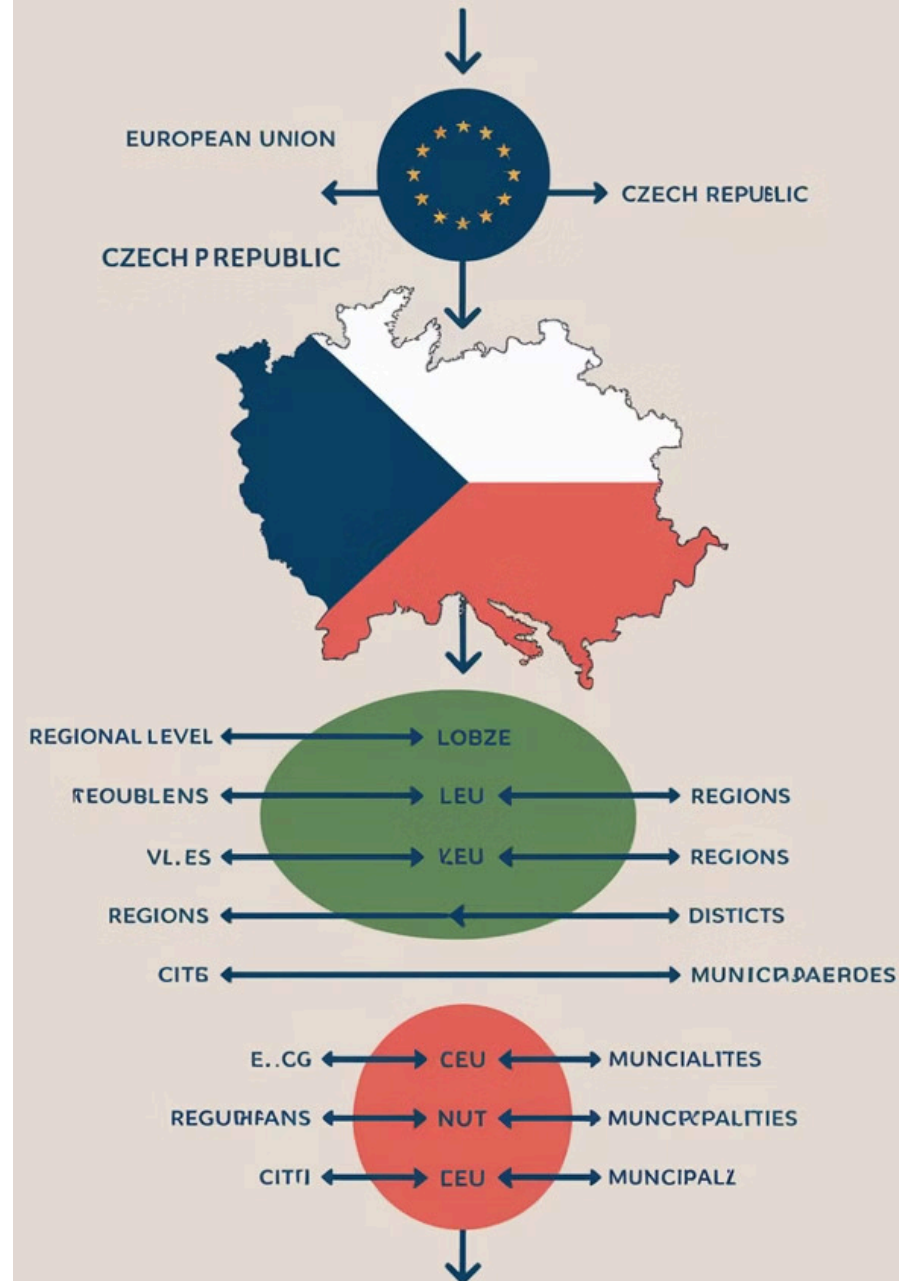
NUTS I encompasses the entire territory of the Czech Republic but is a non-administrative unit, used for broader regional analysis and comparisons. It aggregates data for larger geographic areas.

3

NUTS II

NUTS II represents associated regions or cohesion regions, which are non-administrative units used for regional development planning and EU funding allocation. These units promote economic and social cohesion.

CZ-NUTS LEVELS



1 2 3 4 NUTS Hierarchy Overview

The **NUTS system** is divided into **three levels**, from largest to smallest:

- **NUTS 0** – Entire **countries** (e.g., **Czech Republic, Germany, France**).
- **NUTS 1** – Large regions within countries (e.g., **Česko** in the Czech Republic).
- **NUTS 2** – Medium-sized regions (e.g., **Prague, Central Bohemia**).
- **NUTS 3** – Smallest administrative regions (e.g., **individual Czech regions like South Moravia or Moravian-Silesia**).

🇨🇪 Example: NUTS Levels in the Czech Republic

- **NUTS 0:** Czech Republic 🇨🇪
- **NUTS 1:** Česko (whole country counted as one unit)
- **NUTS 2:** Prague, Central Bohemia, Moravia-Silesia, etc.
- **NUTS 3:** Individual administrative regions (**Kraje** like Olomoucký, Jihomoravský).

CZECH REPUBLIC





What is NUTS 0?

NUTS 0 is the **highest level** in the **NUTS (Nomenclature of Territorial Units for Statistics)** system, which is used by the **European Union (EU)** to classify geographic regions for **statistical and economic analysis**.

Why Is NUTS 0 Important?

- ✓ Used for **EU funding allocation** (e.g., regional development programs).
- ✓ Helps with **economic comparisons** between countries.
- ✓ Supports **regional statistics and planning**.



What Does NUTS 1 Represent in the Czech Republic?

Unlike larger countries (like Germany or Spain, which have multiple NUTS 1 regions), the **Czech Republic has only one NUTS 1 region: Česko (the whole country as a single unit).**

- ◆ **Why?** The Czech Republic is relatively small, so it does not need an extra division at this level. Instead, the **next level (NUTS 2)** is used for EU regional policies and funding.

Why Is NUTS 1 Important?




- ✓ Used for **statistical comparisons** across Europe.
- ✓ Helps with **EU policy-making and funding allocation.**
- ✓ Supports **economic and social planning.**

NUTS 2 Regions in the Czech Republic

The Czech Republic has 8 NUTS 2 regions, also called "Cohesion Regions" (regiony soudržnosti), which are used mainly for EU funding purposes:

- 1 Praha (Prague)
- 2 Střední Čechy (Central Bohemia)
- 3 Jihozápad (Southwest: Plzeň + South Bohemia)
- 4 Severozápad (Northwest: Karlovy Vary + Ústí nad Labem)
- 5 Severovýchod (Northeast: Liberec + Hradec Králové + Pardubice)
- 6 Jihovýchod (Southeast: Vysočina + South Moravia)
- 7 Střední Morava (Central Moravia: Olomouc + Zlín)
- 8 Moravskoslezsko (Moravian-Silesia)

Why Are NUTS 2 Regions Important?

- ✓ **EU Funding**  – Used to **allocate European Structural and Investment Funds (ESIF)**, supporting poorer regions.
- ✓ **Economic Analysis**  – Helps compare **regional economic performance**.
- ✓ **Development Strategies**  – Regions receive **targeted investments** for infrastructure, business support, and innovation.

Example: How NUTS 2 Affects Funding

- **Praha (Prague) gets less EU funding** because it has a high GDP per capita.
- **Severozápad (Northwest) gets more EU money** because it has weaker economic indicators.

Statistické jednotky NUTS 2 - Česká republika



Zdroje dat:
Český statistický úřad.
Mapový podklad - ARC ČR 500, soubory správních a katastrálních hranic 2010.

Ústav územního rozvoje
Brno, leden 2012

NUTS III and LAU Levels

1

NUTS III

NUTS III consists of regions that are administrative units, providing a detailed regional breakdown for policy implementation and monitoring. These regions align with administrative boundaries.

2

LAU I and LAU II

Local Administrative Units (LAU) include districts (LAU I) and municipalities (LAU II), which are essential for local governance and service delivery. These units are closest to the citizens.

CZECH REPUBLIC

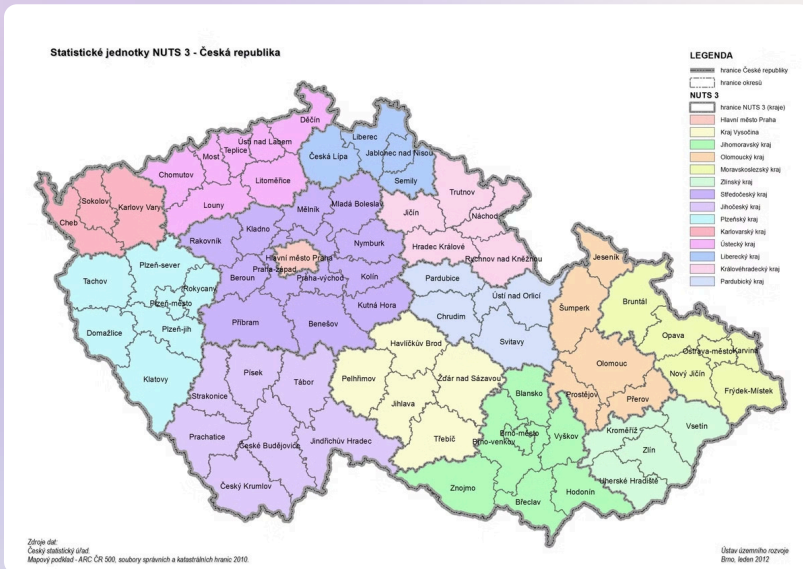
NUTS III ILAU REGION



SHTALBAUT



NUTS 3: The 14 Administrative Regions (Kraje) of the Czech Republic

The Czech Republic is divided into 14 NUTS 3 regions, which correspond to the official administrative regions (Kraje):



- 1 Hlavní město Praha (Capital City Prague)
- 2 Středočeský kraj (Central Bohemia)
- 3 Jihočeský kraj (South Bohemia)
- 4 Plzeňský kraj (Plzeň Region)
- 5 Karlovarský kraj (Karlovy Vary Region)
- 6 Ústecký kraj (Ústí nad Labem Region)
- 7 Liberecký kraj (Liberec Region)
- 8 Královéhradecký kraj (Hradec Králové Region)
- 9 Pardubický kraj (Pardubice Region)
- 10 Kraj Vysočina (Vysočina Region)
- 1 1 Jihomoravský kraj (South Moravia)
- 1 2 Olomoucký kraj (Olomouc Region)
- 1 3 Zlínský kraj (Zlín Region)
- 1 4 Moravskoslezský kraj (Moravian-Silesia)

Why Are NUTS 3 Regions Important?

- ✓ **Used for regional statistics**  (e.g., population, employment, economic data).
- ✓ **Basis for local governance**  – Each kraj has its own regional government.
- ✓ **Helps with national and EU planning** – Some EU programs target NUTS 3 regions for regional development.



List of LAU 1 Districts (Okresy) in the Czech Republic

The Czech Republic has **76 districts (okresy)**, which were official administrative units before 2003. Even though their administrative power was reduced, they are still **used for statistical and organizational purposes**.

Examples of LAU 1 districts:

- **Praha (capital city)**
- **Brno-město, Brno-venkov** (Brno city and surrounding area)
- **Ostrava-město, Opava, Karviná** (in Moravian-Silesia)
- **Plzeň-město, Plzeň-jih, Plzeň-sever** (Plzeň and its surroundings)
- **České Budějovice, Tábor** (in South Bohemia)

Why Is LAU 1 Important?

- ✓ **Used for statistics**  – Population, employment, regional development.
- ✓ **Basis for some government services**  – Police, courts, healthcare districts.
- ✓ **Still influences local administration** – Even though power shifted to **kraje (regions, NUTS 3)**, many services still function at the **okres (district) level**.



What is LAU 2 in the Czech Republic?

LAU 2 (Local Administrative Unit 2) represents the **smallest administrative divisions in the Czech Republic.**

- ◆ In the Czech Republic, LAU 2 corresponds to municipalities (obce).
- ◆ There are **6,258 municipalities (obce)** in the country

Examples of LAU 2 (Municipalities) in the Czech Republic

LAU 2 includes **both large cities and small villages:**






 **Large "statutory" cities (Statutární města)** – Prague, Brno, Ostrava, Plzeň, Olomouc

 **Medium-sized towns (Města)** – Tábor, Zlín, Opava, Liberec

 **Small municipalities (Vesnice)** – Villages and rural areas like Dolní Lomná, Lednice

- ◆ **Fun fact:** The smallest municipality in the Czech Republic is **Vlkov (Plzeň Region) with only 15 inhabitants!**

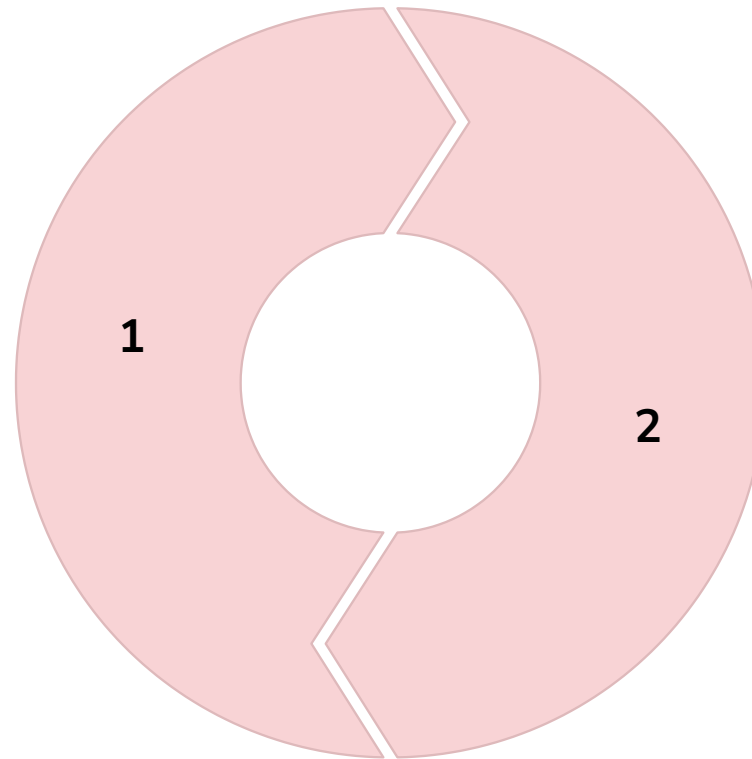
1 2 3 4 How LAU 1 and LAU 2 Fits Into the Czech Administrative System

Level	Czech Name	Example
NUTS 0	cz Czech Republic	Whole country
NUTS 1	 Česko	The country as a single unit
NUTS 2	 Cohesion Regions (8 regions)	Jihozápad, Moravskoslezsko
NUTS 3	 Administrative Regions (Kraje) (14 regions)	Jihomoravský kraj, Praha
LAU 1	 Districts (Okresy) (76 districts)	Okres Brno-venkov, Okres Ostrava-město
LAU 2	 Municipalities (Obce) (over 6,200)	Brno, Plzeň, Ostrava

Criteria for Analyzing the National Economy: Ownership

Private Sector

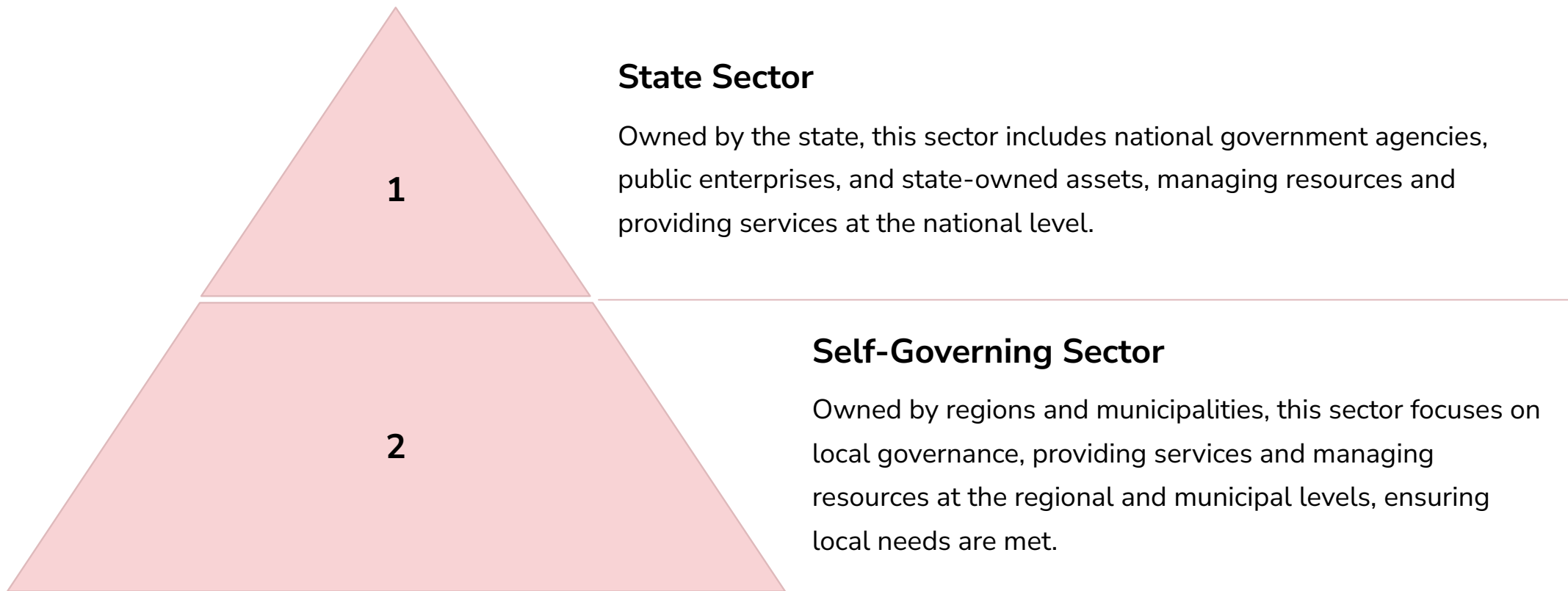
Based on private ownership, driven by profit motives and market forces, this sector includes businesses and individuals engaged in economic activities with minimal government intervention.



Public Sector

Based on public ownership, including state and self-governing sectors, this sector focuses on providing public goods and services to benefit society as a whole.

State and Self-Governing Sectors








Ownership Criterion in the Economy: Public vs. Private Sector

The **ownership criterion** divides the **national economy** into two main sectors based on who owns and controls economic resources:

1 Private Sector (Soukromý sektor)

- Owned by individuals, companies, or private investors.
- Operates on a **for-profit basis**.
- Includes businesses, corporations, and self-employed professionals.

Examples:

- Škoda Auto  (privately owned company).
- Tesco  (retail chain).
- ČEZ (partially private)  (energy company with private shareholders).

2 Public Sector (Veřejný sektor) 🏛️

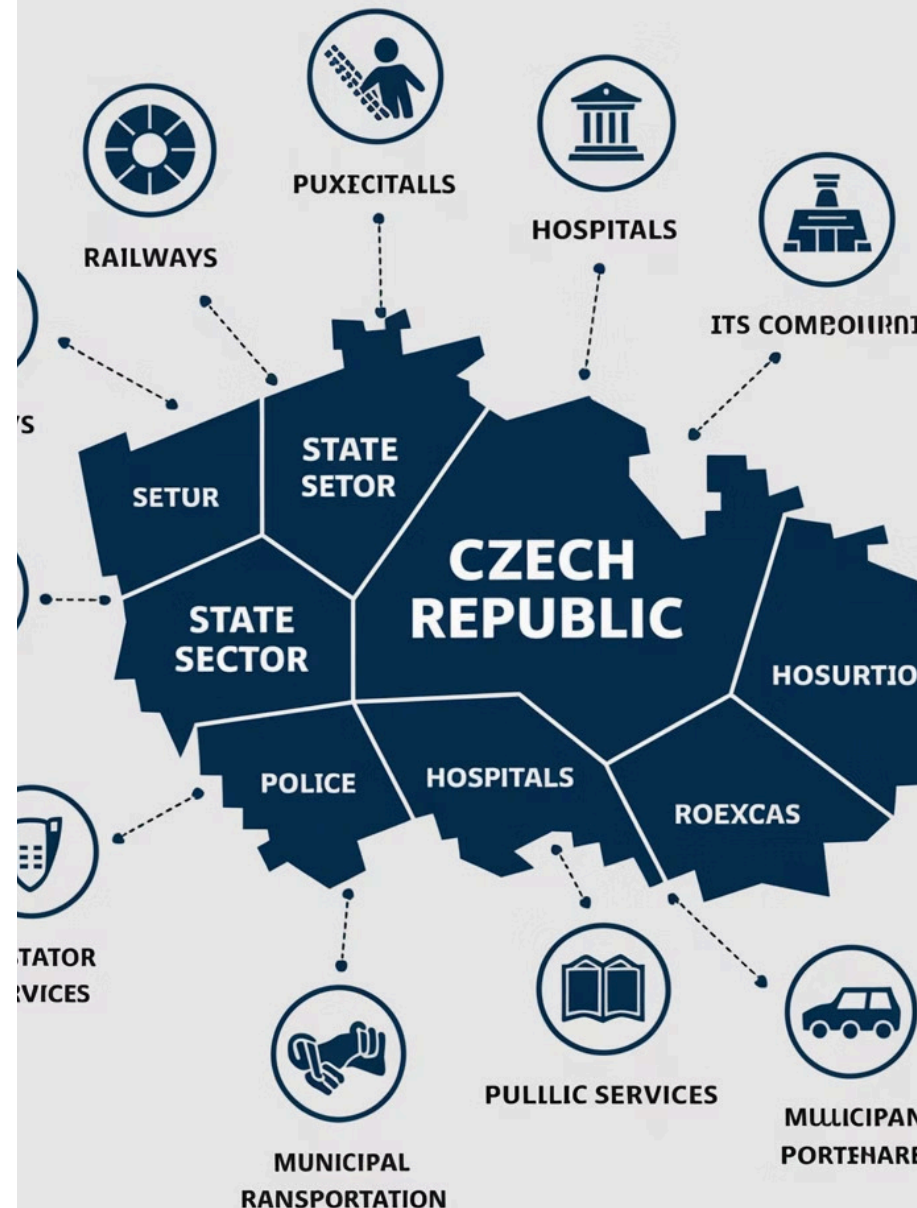
- Owned and controlled by the government (state or local authorities).
- Provides **public services** that may not be profitable but are necessary for society.
- Divided into **two parts**: A) **State Sector (Státní sektor)** 🇨🇪 – Owned by the national government.

✅ Examples:

B) **Local Government Sector (Samosprávný sektor)** 🏠 – Owned by regions (kraje) or municipalities (obce).

✅ Examples:

- Czech Railways (České dráhy 🚆)
- Police, army, and state-run hospitals 🏥
- City-owned public transport (e.g., **Dopravní podnik Praha** 🚊).
- Municipal waste management services.



 **Summary: Who Owns What?**

Sector	Owned by	Examples
Private Sector 	Individuals, private businesses	Banks, shops, manufacturers
Public Sector 	Government (national or local)	Police, public hospitals, state-owned companies
State Sector cz	National government	Česká pošta (postal service), state universities
Local Gov. Sector 	Regions & municipalities	Public transport, local utilities

Criteria for Analyzing the National Economy: Financing

The **funding criterion** divides the **national economy** into two main categories based on their **financial objectives**:

1

For-Profit Sector

Driven by the goal of generating profit, this sector includes businesses and organizations that aim to maximize financial returns, often operating in competitive markets.

2

Non-Profit Sector

Composed of the public sector, private sector, and household sector, this sector focuses on providing services and benefits without seeking profit, often addressing social and community needs.



1 Profit Sector (Ziskový sektor) 💰

- **Goal:** To generate profit for owners, shareholders, or investors.
- Includes private companies, banks, and businesses that operate in competitive markets.

✓ Examples:

- Škoda Auto 🚗 (car manufacturing).
- Česká spořitelna 🏦 (private bank).
- [Alza.cz](https://www.alza.cz) 🛒 (e-commerce).

2 Non-Profit Sector (Neziskový sektor) 🏛️

- **Goal:** To provide services or benefits without making a profit.
- Includes **public institutions, charities, and some private organizations.**
- Divided into **three main sub-sectors:**

A) Public Sector (Veřejný sektor) 🏛️

- **Owned by the government (state or local).**
- **Funded by taxes** and serves the **public interest.**

✅ Examples:

- State hospitals 🏥.
- Public schools 🎓.
- Police and emergency services 🚓.

B) Private Non-Profit Sector (Soukromý neziskový sektor)



- **Privately owned but not profit-driven.**
- **Funded by donations, grants, or member fees.**

✅ Examples:

- Charities like **Člověk v tísni (People in Need)**.
- Foundations supporting education or culture.

C) Household Sector (Sektor domácností) 🏠

- **Unpaid services within families** (e.g., parenting, home care).
- **Voluntary activities that support society.**

Summary

What Are Public Finances?

Public finance refers to the **management of money in the public sector**, focusing on how the **government collects, distributes, and spends funds** to provide services for society.

- ◆ It involves **financial relationships and transactions** between:
 - **Government institutions** 🏛️ (ministries, regional offices, municipalities).
 - **Households** 🏠 (citizens who pay taxes and receive services).
 - **Businesses** 🏢 (companies that pay taxes or receive subsidies).
 - **Non-Profit Organizations** 🤝 (charities that receive funding or provide services).

How Public Finance Evolved

- ✓ **Originally part of public economics** – studied government spending and taxation.
- ✓ **Now a separate discipline** 📚 – focusing on **budgeting, taxation, public debt, and economic policy**.

Summary



Why Are Public Finances Important?

- ✓ Ensure **public services** (education, healthcare, infrastructure).
- ✓ Maintain **economic stability** (preventing recessions or inflation).
- ✓ Distribute resources **fairly** (welfare programs, pensions).



Example: Public Finance in Action

- The **Czech government collects taxes** from individuals and businesses.
- This money is used to **fund hospitals, schools, and roads**.
- The government **adjusts spending and borrowing** based on economic needs.

Summary

What Is the Public Sector?

The **public sector** is a **key part of the national economy**, responsible for managing public resources and providing services that benefit society. It operates under **public ownership** and is controlled by **government institutions** at different levels.

Key Features of the Public Sector

- ✓ **Public Ownership** 🏢 – The government (state or local authorities) owns and manages assets.
- ✓ **Democratic Decision-Making** 🗳️ – Policies and spending are decided through elections and public institutions.
- ✓ **Public Accountability** 👥 – Finances and activities are subject to public scrutiny.
- ✓ **Social Purpose** 🤝 – The main goal is to **serve the public interest**, not to make a profit.

What Does the Public Sector Include?

- ✓ **State Institutions** – Government ministries, courts, parliament.
- ✓ **Public Services** – Schools, hospitals, police, firefighters.
- ✓ **State-Owned Companies** – Česká pošta (postal service), České dráhy (railways).
- ✓ **Local Government Services** – Waste collection, water supply, public transport.

Summary

Why Is the Public Sector Important?

- ✓ Ensures **access to essential services** for all citizens.
- ✓ Supports **economic stability and social welfare**.
- ✓ Provides **infrastructure, security, and legal systems**.

Example: The Czech Public Sector in Action

- The government funds **public education** 🎓 so that every child has access to schooling.
- Municipalities manage **public transport** 🚊 to ensure mobility for all citizens.
- **State-owned energy companies** ⚡ help regulate prices and supply stability.