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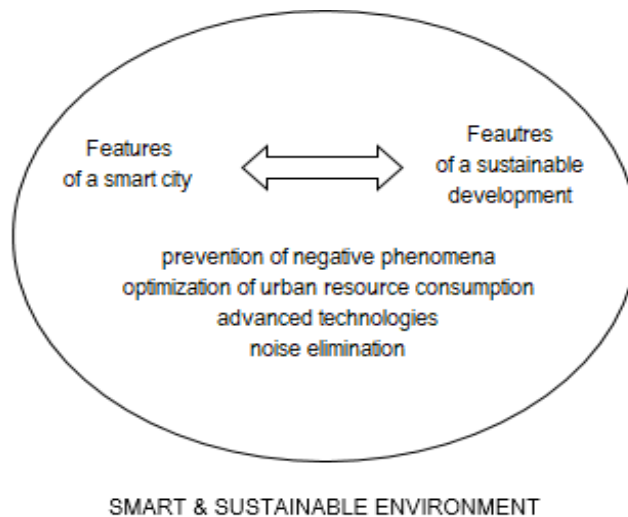
„THE SMART CITIES CONCEPT” AS ONE OF THE PRIORITIES OF THE SLOVAK REPUBLIC

Abstract: At present, the development of the urban way of life requires the application of city policy management with an emphasis on sustainable development, and it can be said that individual states strive to integrate "smart" elements into the activities of cities in conditions of sustainable development. The concept of Smart Cities in line with the ideas of sustainable development can provide new necessary impulses when integrating into the city management strategy, leading to the creation of a smart city that meets the needs of the population while preserving natural resources for future generations. The importance of this topic lies in the growing interest in applying the concept of Smart Cities as a starting point for further development of cities and regions and their transformation into smart cities and regions in the Slovak Republic, which is one of Slovakia's priorities in preparing a partnership agreement for the new programming period 2021 – 2027. Providing intelligent services to a city or region is not possible without informing the population. The annual report is one of the sources that provides information on the application of the Smart City Concept to a wide range of information users, and thus to the general public. The aim of this paper is to analyse the Smart City Concept in terms of sustainable development with focus on innovation and reporting smart information that meets the definition of non-financial information in the annual report in the Slovak Republic.

Keywords: Smart Cities Concept, non-financial, annual report, corporate social responsibility, smart city.

1. INTRODUCTION

Cities in Europe face challenges combining competitiveness and sustainable urban development at the same time. This problem is likely to have a very clear impact on the quality of life in the city, such as housing, the economy, culture, social and environmental conditions. (Čepeľová, Koreňová, 2017). The characteristics of a smart city and sustainable development are similar and can be interconnected. The current process of shaping and developing the urban way of life and population growth in the city requires the application of city policy in the interests of sustainable development so that the needs of its population are met while preserving natural resources for future generations (Lovciová, 2021). This creates a smart and sustainable environment from the social, economic and environmental point of view, known as "smart cities". (Dewalska & Opitek, 2014)



Picture 1: The interconnectedness of the features of a smart city and sustainable development
Source: own processing

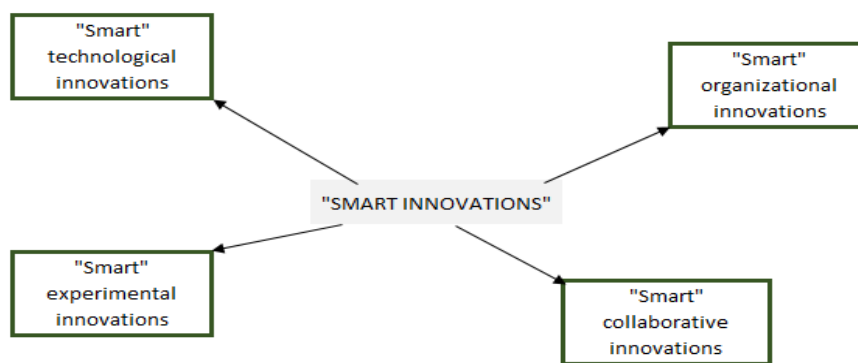
Managing a city in order to meet the features of a smart city and at the same time the features of sustainable development requires systematic management of the Smart City Concept and the division of individual competencies between public and private sector participants together with the involvement of the population. The interconnection of the six basic areas of the Smart City Concept can be characterized by components with their subcategories that fulfil the nature of the Smart City Concept (Table 1).

Table 1: Characteristics of the basic areas of the Smart City Concept by components and their subcategories in the conditions of the Slovak Republic

Area of the Smart City Concept	Subcategories of components of individual areas
Government/Self government	digital public administration participatory governance e-services
Health	integrated health information systems advanced care for the disadvantaged persons telemedicine
Education	urban education platforms digital learning formats digital skills
Energy and Environment	smart energetics smart water management smart waste management
Buildings	interconnected device management smart homes smart construction
Mobility	smart systems traffic management smart urban logistics

Source: MH SR, 2017.

Innovation plays a major role in building a smart city. They are a basic factor of innovative development, they are not only a factor of survival and success of the company, but they also affect the overall economic growth (Štefeková, Moravčíková, 2016). "Smart" innovations can be in the nature of technological, organizational, collaborative and experimental innovations (Nilssen, 2019). (Picture 2)



Picture 2: The character of “smart” innovations
 Source: own processing

Technological innovations introduce new technologies, products and services. Organizational innovations take place within the organization of a particular city, they are based on projects. Collaborative innovation seeks to link the public and private sectors. Experimental innovations have the character of smart city initiatives. (Nilssen, 2019) The principles of sustainable development can be implemented in various areas of society in the interest of environmental protection, negative impacts can be eliminated through the use of innovation. In connection with greening, we can call these innovations green innovations.

1.1. A smart city in the concept of the Recovery and Resilience Plan

In the European context, according to the European Commission, green innovation is any form of innovation that aims at significant and demonstrable progress towards sustainable development goals by reducing environmental impacts or achieving more efficient and responsible use of natural resources, including energy. (European Commission, 2014). With Slovakia's accession to the European Union, key financial resources from the European Union have become several areas of economic and social development. Within Slovakia, the government has channeled direct financial support for green innovation through several operational programs. One of the programs that Slovakia can contribute to a sustainable way of life in Slovakia is the Recovery and Resilience Plan of the Slovak Republic. The Recovery and Resilience Plan focuses on five key areas of public polic (Plán obnovy, 2021):

- green economy (2 301 mil. eur),
- better health (1 533 mil. eur),
- efficient public administration and digitization (1 110 mil. eur),
- quality education (892 mil. eur),
- Science, research and innovation (739 mil. eur).

The concepts of smart and sustainable cities are designed to help solve the problems of energy production and consumption in cities, transport, mobility and information and communication technologies (Baculáková, 2016). Digitization plays an important role in the implementation of the Smart City Concept in both the private and public sectors, and a significant amount of funds has been directed to this key area (1 110 mil. eur). The Ministry of Investment, Regional Development and Informatization of the Slovak Republic has prepared the Digital Slovakia component within the Recovery and Resilience Plan. Its goal is a functioning digital economy and a society ready for ongoing technological changes in the field of digitization (Digital Slovakia, 2021). This goal in the Recovery and Resilience Plan of the Slovak Republic requires technological changes in the field of digitization. A prerequisite is the development of electronic public administration (eGovernment), which will provide citizen- and business-oriented services. Without a well-built infrastructure on optics and new technologies, it is not possible to build and develop a smart city. A positive transformation of cities and regions into a smart city is that by transforming into a digital smart city, the industrial area can also develop its potential, especially through the deployment of digital technologies. Ensuring digitalisation in all areas requires reforms in connectivity, managing the digital transformation of the economy and society, improving education and cyber and information security competences in public administration and a strategic approach to digital skills training in cooperation with stakeholders. The digital transformation is key to survival in today's business world as the pace of innovation continues to accelerate. Digital transformation is a strategic decision that helps organizations achieve better customer service, better supplier relationships, increased sales and business development, and thus a better competitive position in the market. (Borbera, Stojanovič, 2020)

The submitted program in the Recovery and Development Plan of the Slovak Republic is in line with several national strategic documents, which are directly related to the strategic goals and priorities of the European Commission in the areas of reforms and investments defined in this program. The reform and investment proposals, their objectives and benefits are in line with the following documents:

- Vision and development strategy of Slovakia until 2030,
- National Reform Program of the Slovak Republic,
- National concept of public administration informatization,
- Revision of expenditures on Informatization 2.0,
- Strategy of digital transformation of Slovakia 2030,
- Action plan for digital transformation of Slovakia for the years 2019 - 2022,
- Strategy and action plan for improving the position of the Slovak Republic in the DESI index until 2025,
- National Broadband Plan and
- Support for the development of 5G networks in Slovakia for the years 2020 - 2025.

Against the background of economic and technological change caused by globalization and the integration process, cities in Europe face the challenge of combining competitiveness and sustainable urban development. It is clear that this challenge is likely to have an impact on urban quality issues such as housing, the economy, culture, social and environmental conditions. (European Smart Cities, 2014) The topic of smart cities is one of Slovakia's priorities when preparing the partnership agreement for the new 2021-2027 programming period (MIRRI SR, 2019). Based on these support projects, the idea of a "smart" city includes a broad and freely defined set of tools of technological solutions and policy solutions and interventions aimed at the implementation and improvement of urban systems. (De Falco et al., 2019) Smart city solutions are based on the concept of creating smart infrastructure and sustainable use of resources available in the immediate surroundings of a city as a potential that has not been sufficiently exploited so far. Thus, the most appropriate is the smart city concept, which implies anticipating development trends in all areas affecting urban life and developing innovative solutions that will adapt these trends and facilitate their use both to the population and to urban economics. The smart city concept should cover entire urban area, all domains of coexistence and all stakeholders of local development. This concept and its benefits should equally address all social groups (Paliga, Oliva, 2018).

1.2. Non-financial information in the context of the Smart City Concept

Without quality and useful information, it is not possible to provide modern and intelligent services to the population in cities and regions. Since several participants are involved in the construction, management and implementation of the Smart City Concept, t. j. Public and private sector participants should be allowed to publish this information on various websites, applications, CSR reports and, in the area of non-financial reporting, also to publish the necessary information in the entity's annual report. The usefulness and relevance of information is different for each user of information, because each user needs different information to make a decision or action. In the territory of the Slovak Republic, the conditions for the publication of non-financial information in the context of sustainable development in the annual report, in which it is possible to include "smart" information, are regulated by the provision of § 20 of Act no. 431/2002 Coll. on accounting as amended (Accounting Act). In addition to fixed conditions, this Accounting Act allows entities some flexibility in disclosing non-financial information, and therefore each participant in this implementation process and the results of applying the Smart City Concept in the planning, implementation phase may, at its discretion, disclose the information in the annual report. for example, tools for financing innovation, activities with the most efficient use, information on how to motivate and increase interest, information on the participation of city dwellers in building a smart city (MH SR, 2017).

Not all accounting entities are obliged to prepare the annual report under the Accounting Act, but only those accounting entities that meet at least two of the conditions as of the date on which the financial statements are prepared and for the immediately preceding accounting periods (Section 19(1) of the Accounting Act). The size criteria for the audit of companies and cooperatives according to the amendment to Act No. 198/2020 Coll. of 9 July 2020 amending certain acts in relation to the improvement of the business environment affected by measures to prevent the spread of dangerous infectious human disease COVID-19 is increased as follows:

- a) for accounting period starting from 1 January 2021:
 - the total amount of property exceeds 3 000 000 €;
 - net turnover exceeds 6 000 000 €;
 - the average recalculated number of employees exceeds 40;
- b) for accounting period starting from 1 January 2022:
 - the total amount of property exceeds 4 000 000 €;
 - net turnover exceeds 8 000 000 €;
 - the average recalculated number of employees exceeds 50.

It should be noted that the size criteria specified in the provisions of Section 19(1)(a) have been doubled since 2020 (Picture 3).

To 31.12.2020		From 1. 1. 2021		From 1. 1. 2022	
Property	1 000 000 €	Property	3 000 000 €	Property	4 000 000 €
Net turnover	2 000 000 €	Net turnover	6 000 000 €	Net turnover	8 000 000 €
Average recalculated number of employees	30	Average recalculated number of employees	40	Average recalculated number of employees	50

Picture 3: The size criteria for the audit
Source: The amendment to Accounting Act, 2020

An entity that is required to prepare an annual report within the basic disclosure. Such information under the Accounting Act, provision of § 20 (1) (a) (b) (c) (d) is information about the entity's development, its condition and the significant risks and uncertainties to which the entity is exposed. The information is provided in the form of a balanced and comprehensive stock analysis and forecast and includes important financial and non-financial indicators, including information on the environmental and employment impact of the entity's operations, with reference to relevant financial statements, events of special significance after the end of the accounting period for which the annual report is prepared, the expected future development of the entity's activities and the costs of the research and development activities. A public interest entity (except for an entity of Section 17b) whose average recalculated number of employees for the accounting period exceeds 500 employees is obliged to disclose non-financial information in a wider scope in the annual report in connection with the Smart City Concept. non-financial information on the development, conduct, position and impact of the entity's activities on the environmental, social and employment areas, information on respect for human rights and information on the fight against corruption and bribery (hereinafter "the area of social responsibility"). It will state in particular this non-financial information in connection with the implementation of various processes within the Smart City Concept according to the Accounting Act, § 20 (9):

- a) a brief description of the business model,
- b) a description and results of the entity's CSR policy, including due diligence procedures,
- c) a description of the entity's main corporate social responsibility risks that may result from adverse activities and, if appropriate, a description of the business relationships, products or services that the entity provides and a description of how the entity the entity manages these risks,,
- d) significant non-financial information about the entity's activities by activity,
- e) a reference to the information on the amounts recognized in the financial statements and an explanation of those amounts in terms of the effects on corporate social responsibility, if applicable.

This information is already considered to be information in a wider range of disclosures. Specifically, significant non-financial information in the broader scope of disclosures about an entity's operations may include information about "smart" innovations used in the entity's production, administrative and other processes. The company can also state in its annual report how digitization helps to implement "smart" innovation in the company.

2. CONCLUSION

The strategy of managing the city and regions so that the city meets the features of a smart city and at the same time the features of sustainable development requires systematic and cooperation between the private and public sectors in the management of the Smart City Concept. Contemporary, there is talk of the so-called "smart" development of cities and regions, which needs to be approached conceptually. An innovative approach is the right and lasting solution. Building and developing a smart city is not possible without the application of innovations and especially green innovations, which by their very nature acquire the characteristics and principles of sustainable development. Digitization plays an important role in the implementation of the Smart City Concept. Its main role is to provide information on modern and intelligent services to the population, public and private sector entities, to publish information in annual reports and other available sources to a wide range of users, thus becoming an extremely important tool for linking all attributes such as sustainable development, green innovations, published information that leads to the creation and development of a smart city and region. The Accounting Act allows all participants in the creation of a smart city and region to disclose non-financial information on the fulfillment of the objectives of the Smart City Concept in the context of sustainable development, thus fulfilling the obligation to disclose non-financial information in the annual report. Due to the increased interest in applying the Smart City Concept in the conditions of the Slovak Republic, the annual reports of the private and public sectors should also contain "smart" information and should be presented in such a way as to facilitate the assessment of the level of sustainability.

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