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Peter Ong

The Global Government Finance Summit brings together senior public officials from treasuries and finance ministries around the world: delegates discuss their domestic financial and regulatory challenges and explore potential solutions, taking advantage of this uniquely informal space to share their experiences, concerns and opportunities.

Hosted in Singapore by the Permanent Secretary of the Ministry of Finance in April 2016, this second annual event was attended by high-ranking civil servants from nine countries, along with representatives from knowledge partner EY and event organiser Global Government Forum.

Although the event is held under Chatham House Rules and some of the discussions are too sensitive to put into the public domain, many of the ideas and solutions that emerge may be of value to civil servants around the world. So Global Government Forum has sought delegates’ permission to use specific quotes, producing this report to help public servants understand and address some of the issues and agendas facing the world’s finance ministries.
Delegates List

**Peter Ong**, Head of Civil Service, Permanent Secretary, Ministry of Finance Permanent Secretary (Special Duties), Prime Minister’s Office, Singapore

**Yee Ping Yi**, Deputy Secretary (Policy), Ministry of Finance, Singapore

**Torsten Arnswald**, Head of the Fiscal Policy Division, Federal Ministry of Finance, Germany

**Arnauld Bertrand**, Global Public Finance Management Leader, EY

**James Bowler CB**, Director-General for Tax and Welfare at HM Treasury, United Kingdom

**Chan Cheow Hoe**, Assistant Chief Executive (Government Chief Information Office), Singapore

**Cornelius Dekop**, Secretary for Budget and Development, Ministry of Finance and Development Planning, Botswana

**Chamroeun Hel**, Secretary-General, Ministry of Economy and Finance, Cambodia

**Thia Jang Ping**, Director Transformation Office, Singapore

**Maxim Oreshkin**, Deputy Minister of Finance of the Russian Federation

**Mikhail Pryadilnikov**, Deputy Director, Analytic Center for the Russian Government, Russia

**Harry Soeratin**, Senior Advisor, Secretariat General of the Ministry of Finance, Indonesia

**Meas Soksan**, Deputy Secretary-General of the Ministry of Economy and Finance and Deputy Secretary-General of the Public Financial Management Reform General Secretariat, Cambodia

**Kevin Sorkin**, Director, *Global Government Forum*

**Mildred Tan**, Head of Advisory, EY

**Taşkin Temiz**, Acting Deputy Undersecretary, Treasury, Turkey

**Sam Wong**, Partner, EY

**Vinel Yeth**, Deputy Secretary-General, Ministry of Economy and Finance and Deputy Secretary-General, Supreme National Economic Council, Cambodia

**Sami Yläoutinen**, Director-General, Economic Policy Coordination, Ministry of Finance, Finland
Introduction

These are challenging times for finance ministries. Opening the 2016 Global Government Finance Summit, Peter Ong – Head of the Civil Service and Permanent Secretary of the Ministry of Finance in the host nation, Singapore – pointed out that “in the past year, the IMF has reduced its global growth projections four times.” Finance departments, he added, “need to ask how we can continue to fund important spending such as infrastructure sustainably, even as the world enters into future of potentially lower growth.”

This was the second Global Government Finance Summit, following the 2015 inaugural event – also hosted by Singapore. Attended by senior Treasury officials from 11 countries, stretching from the UK to Indonesia and from Finland to Botswana, the 2016 event – Ong said – brought “a diverse group of senior public officials together for intimate conversations.”

“I believe we learn best from our peers through such open conversations”, he added; delegates would be tapping into the “wisdom everyone has distilled from years of policymaking.”

The discussions, Ong explained, would cover five key challenges facing finance departments around the world:

- Fiscal sustainability: the need to balance income and expenditure, in an environment of slow global economic growth and demographic changes that boost demand for public services;

- Infrastructure investment: how to attract the finance and skills to develop national infrastructures, and ways to mitigate attendant long-term fiscal risks;

- Public sector productivity: the factors that hamper productivity in public services, and the tools that can improve it;

- Digitisation and data: the use of digital technologies and ‘big data’ to boost efficiency, improve public services and policymaking, and meet citizens’ needs;

- The future of finance ministries: the roles and remits of government finance departments, and the tools and techniques that can improve their planning and operations.

Ong concluded by thanking knowledge partners EY, and praising the organisers for all “the hard work put in by Kevin Sorkin and his team at Global Government Forum.”

“This year’s Finance Summit aims to discuss how we can finance our countries into a better future despite the challenges ahead,” he said. There was plenty to talk about.
“The speed and breadth of change has never been more powerful and impactful than it is today,” said Mildred Tan, ASEAN Government and Public Sector Leader at knowledge partners EY. “We are living in a time of phenomenal change: it’s both exciting, and terrifying.”

Rapid globalisation and technological progress, said Tan, is fundamentally reshaping economies and the working world. “Some say 60-70% of the jobs we know now will disappear in the next 10 years,” she commented. Change will create opportunities, permitting those with essential specialist skills to sell their services to clients around the world. But it also raises the prospect of job displacement, leading to mass youth unemployment and a ‘lost generation’.

“Increasing inequality is going to result in a lot of social tensions in different countries and economies, and the urgent need to adapt and learn new skills and approaches,” Tan explained. “And new social employment contracts will emerge, changing the workforce, the nature of work, and ways of working.”

Globalisation and technology, said Tan, create the “clear and present dangers of a hyper-connected world: inequality, fragmentation, segregation, social unrest and, of course, violent extremism.” Governments must guard against cyber warfare, biological weapons, and the militarisation of nanotechnology and smart materials—but they also face internal instability, as robotics, automation, and globalising goods and services markets produce riches for the connected few and squeeze incomes in traditional industries.

To support equitable economic growth, strong public services and national security in this new world, Tan argued, “public leaders need to be forward-looking: to become the agents of change. You need to build a future-ready workforce in your economies.”

Just as digital technologies permit smaller, more responsive companies to rapidly emerge, challenging existing business models and industries, Tan argued that governments must become lighter on their feet and be able to respond rapidly to new threats and changing public needs.

“The more nimble you are, the greater your ability to transform and evolve,” she concluded. “How do we govern the way we disrupt? And how do we disrupt the way we govern?” These ideas would lie at the heart of the day’s discussions.

“The more nimble you are, the greater your ability to transform and evolve...”

Mildred Tan
Fiscal Sustainability

Over the centuries, recessions and wars have often pushed governments’ balance sheets into the red – but today’s situation is unprecedented. Coming after decades of deindustrialisation and generous welfare state spending, rising public expenditure linked to demographic changes and the aftershocks of the 2008 financial crisis have – explained Arnauld Bertrand, EY’s Global Government and Public Sector Advisory Leader – pushed the average debt-to-GDP ratio in advanced economies up to 105%.

“We aren’t on a path to achieve fiscal sustainability at a global scale,” said Torsten Arnswald, Head of the Fiscal Policy Division in Germany’s Federal Ministry of Finance. “Public debt ratios in the G7 countries have been rising from 1970 onwards; for the past four or five decades, we’ve seen an ever-rising increase in public debt.”

Whilst the incomes of developed nations have been under pressure for decades, Bertrand pointed out that the emerging economies now face a parallel set of problems: with commodities prices falling, they must strengthen and diversify revenue streams. Since 2011, explained Russian Federation Deputy Minister of Finance Maxim Oreshkin, export revenues have fallen by 35% among the countries most dependent on selling minerals, ores and oil. Many have not cut spending to address this new reality: “In Gulf countries like Kuwait or Saudi Arabia, there is no adjustment,” he commented. “What these countries are doing is spending the reserves they’ve accumulated in previous years, which allows them to postpone their adjustment. But the adjustment is inevitable, and in some cases this will be a really big exercise.”

Meanwhile, many countries across the advanced economies, the commodity producers and the newly-industrialised nations face fast-rising social costs to fund pensions, social care and health services for their ageing populations – and at a time when shrinking workforces are pushing down income tax revenues. Foreseen for years, these pressures are now hitting finance ministries’ bottom lines, noted Torsten Arnswald: “We often have the attitude of thinking this is an issue for the future,” he said. “In Germany, it’s not the future anymore: it’s the present. We see the demographic change taking root on certain fronts in the economy, and also on the fiscal side and the social expenditure front.” Oreshkin provided convincing evidence from his home country: “In Russia, social expenditure has expanded from around 7% of GDP to more than 13%,” he noted.

The world’s finance ministries have never faced a challenge like this, said Sami Yläoutinen, a Director General overseeing economic policy in Finland’s
finance ministry. “The Second World War was the highest debt-to-GDP ratio in advanced economies, but in 2013 it was almost the same level,” he pointed out, adding that it took many years to shrink the post-World War II debt mountain – even though “at the time labour input was growing, and there were no age-related spending pressures.” These days, he concluded, it is “much more difficult to consolidate.”

So, how can finance ministries help to balance governments’ revenues and their outgoings?

On the revenue side, there is quite a lot they can do to increase fiscal sustainability. Yee Ping Yi, Deputy Secretary (Policy) at Singapore’s Ministry of Finance, highlighted the importance of expanding the economy to underpin sustainable growth in public sector revenues. “We want to transform our enterprises and industries, to push the pace of restructuring and growth, with the emphasis on doing so through innovation and technology,” he said.

Central banks also tried to support businesses with low national interest rates, which could help them to borrow cheaply and encourage investment rather than saving. But base rates won’t bump along the bottom forever, said Germany’s Torsten Arnswald – and when they rise, governments will find themselves making much heftier interest payments. At the moment “money’s for free, it seems,” he said. “That has an implication for fiscal policies, because if you don’t have to pay interest on your debt there’s a high political risk of falling into illusionary thinking; of over-estimating one’s strength. And if we do that and increase social expenditure, then once the situation normalises we’ll feel this in our budgets.”

Governments can also raise revenue by hiking up taxes. And amongst big raw material producers, pointed out Oreshkin, falling commodity prices provide an opportunity to raise additional income. “For example, we’ve increased excise duties on gas so that prices stay in line with underlying inflation within the economy,” he explained. “We’re not allowing gas prices to go down.”

“We want to transform our enterprises and industries, to push the pace of restructuring and growth.”

Yee Ping Yi
In most aspects of fiscal policy, though, governments find their freedom of manoeuvre curtailed by electorates who—their incomes squeezed by low economic growth—fiercely resist additional taxes. James Bowler, the Director General for Budgets, Tax and Welfare at the UK’s HM Treasury, noted that it’s hard to get public support for tax rises unless people can see a direct link between the revenue and its spending: “We’ve got a new sugar tax coming in 2018, and we’re hypothecating the spending on that to go back into education and health,” he noted.

Bowler also highlighted the importance of perceived fairness in taxation. If people believe “that there is tax evasion or avoidance going on, then the public will be very frustrated if the government isn’t seen to be acting on that before it changes taxes more generally,” he said. “There has been quite a prominent debate on multinationals’ tax in the last few years,” he added, noting the “perception that companies and wealthy people are paying less tax than normal people.” Public pressure can be useful in dissuading companies from adopting aggressive tax avoidance strategies, Bowler commented; but to close off that route more effectively, coordinated action is required by national governments. “If you want to make progress on this, you have to do it internationally—and the UK has been at the forefront of trying to lead some of the international efforts on tax,” he said.

Bowler highlighted the “transparency agenda, which is about common reporting standards; about transparency on where companies are making their profits; and the wider issue of overseas territories” and other tax havens. Emerging global agreements on publishing the “beneficial ownership” of companies, he added, mean that national tax authorities are increasingly exchanging data on tax liabilities—squeezing the opportunities for tax avoidance. This movement towards international agreement is “happening quite quickly,” he added, “and I think the [resultant] change will happen really quite quickly as well.”

Meanwhile, governments can also do a lot to cut their outgoings. Their productivity is low, said EY’s Arnauld Bertrand: “We see a very under performing public sector, compared to the private sector,” he commented. “The good news is that there is huge room for improvement. The bad news is that we have to dramatically transform the operating model, but with less resources.” The challenge is not only to create a much more efficient system, but also to create that system as cost-effectively as possible (See also Public Sector Productivity, below.)
Digital technologies can be a big help in cutting service delivery costs (See Digitisation and Data, below), but public sectors will also have to undertake substantive changes to organisational structures, business processes and staff remuneration. Like many governments, noted James Bowler, the UK is imposing “restrictions on public sector wages, and reductions in public spending by departments that demand quite a lot of transformation and reform.”

In many countries, though, it’s very hard to balance the books without cutting pensions and welfare spending. The UK is making “some quite steep reductions to welfare spending, primarily for working age in-work support”, noted Bowler, whilst Arnswald pointed to the opportunities to increase means-testing in welfare spending and highlighted the moves in many countries to raise pension ages. Raising the UK’s pension age, Bowler responded, has “improved the long-term outlook for the public finances quite considerably. And it has been perhaps easier than government might have expected.”

In the end, though, the keys to progress don’t lie in shaping the precise mix of economic growth, tax rises, efficiency initiatives and spending cuts required to balance the books; they lie in grasping that stinging political nettle in the first place. With democratic governments operating on a 4-5 year political cycle, it’s tempting for national politicians to defer difficult and unpopular decisions. So in many countries, ministers and officials have deliberately put in place mechanisms that require governments both to be honest and open about the public finances, and to take action to address budget deficits.

In Germany, explained Arnswald, “we introduced a ‘balanced budget rule’ in the constitution, and that became effective in 2011.” After intervening to prop up the banking sector and ailing southern European economies following the credit crunch, he added, Germany’s debt-to-GDP ratio reached 80%, “but there’s a requirement in EU fiscal rules that the public debt reaches the threshold of 60% or lower, and in Germany we’re now on the way to achieving this by the end of the decade.”

The UK took a different approach, establishing the Office of Budget Responsibility (OBR) in 2010 to provide what the OBR calls “independent and authoritative analysis of the UK’s public finances”: the unit checks the Treasury’s maths, assesses its projections, and reports on whether the government is meeting its proclaimed economic and fiscal goals. The UK also gave the Bank of England freedom from political control during Tony Blair’s 1997-2001 government, providing an inflation target and the right to set interest rates – ensuring that ministers could not manipulate monetary policy for their own electoral benefit.

“We introduced a ‘balanced budget rule’ in the constitution, and that became effective in 2011.”

Torsten Arnswald
“That transparency and that independence has brought major benefits for the credibility of UK public policy,” commented Bowler. “I don’t think it makes it any easier to increase taxes or cut spending, but it means politicians have to face up to it… The realities of the public finances are there for all to see.” The introduction of three-year ‘Comprehensive Spending Reviews’ in the UK has also helped manage public spending, he added, in part by giving public bodies fair warning of reductions and the ability to plan structural reforms; and the 2010 Coalition government introduced a cap on welfare spending designed to force ministers to make policy changes if benefits claims rose too far.

In Finland, noted Yläoutinen, Ministry of Finance civil servants are charged with publishing a “sustainability calculation” on the public finances before general elections—setting out “how much fiscal space there is for the next government”. In previous elections, he added, ministers have sometimes challenged the findings—but in 2015 “they said: ‘Okay, this is happening now and we need to take action.’ In our case these kinds of calculations have been extremely beneficial.”

Creating this level of transparency about public spending and plans for budget cuts can, of course, create new pressures within public spending. For example, politicians can be tempted to protect the more popular aspects of government spending, progressively squeezing those which have less resonance with the public. “The danger is that the politically-attractive parts of spending are always the winners,” commented one delegate, “so administrative spending and other departments can end up getting cut. If you do that over multiple budgets, you’re forever shrinking one set of departments to pay for another set.”

Despite the risk of distorting public priorities in this way, there was a feeling among some delegates that these tools around transparency and independent audit help to focus politicians on the structural issues facing government finances. Ministers might find it uncomfortable to find their budget decisions and economic forecasts challenged, but many politicians recognise that such transparency helps to build consensus on the state of government finances—leading to a much more informed and realistic public debate.

“\textbf{That transparency and that independence has brought major benefits for the credibility of UK public policy,}”

James Bowler
Infrastructure Investment

Opening a session on the long-term fiscal risks around infrastructure development and renewal, Turkey’s Director General of Public Finance Taskin Temiz explained that his country is increasingly commissioning private businesses to both build and finance new public infrastructure. Government then rents assets back in the long-term deals known as the Private Finance Initiative in the UK, and as Public-Private Partnerships (PPPs) elsewhere. “Between 2000 and 2010, there were on average six new PPP projects” per year, Temiz explained, “but after 2010 it increased to 20, and by 2013 there were 31 new projects.” Turkey now has over 200 PPP contracts, he added, mainly in hydroelectric plants, transport projects and health services.

One key driver behind the approach, he said, is the government’s determination to keep the budget deficit between 1.0 and 1.5% of GDP: by drawing on private sources of finance, PPPs keep the public sector borrowing requirement down – building financial commitments around annual rents rather than big initial investments. PPPs also permit the government to draw on private sector skills in financial and project management, construction and asset management, he added: “We can utilise the knowledge and efficiency of the private sector, enhancing quality and effectiveness.”

There are, however, risks with the use of PPPs. Temiz heads up a task force monitoring the ‘contingent liabilities’ attached to PPPs: the additional costs, debts and financial exposure that can end up at government’s door. “It’s critical to manage these liabilities,” he noted – and not just those extra costs allowed for in PPP contracts, but also external risks such as supplier insolvency and natural disaster.

Temiz noted that many governments struggle to negotiate advantageous PPP contracts. “We’ve seen in many countries high risks because the initial negotiation was not right, mainly because on the public side they didn’t have the right skills,” he commented. “In some countries there’s a huge difference in maturity between the finance guys in the private sector and those on the public sector side.” This imbalance, he added, can lead to excessive pricing, poor quality delivery, and punitive costs for alterations to the purchased infrastructure or its operations.

Turkey is now trying to coordinate all the ministries and agencies pursuing PPPs, Temiz explained, and to create a single legal framework and a dedicated central unit. “The government is enacting a single law to set the standards and the general framework for PPPs, and the IMF has suggested that we set up a single coordination unit,” he said. “It’s really very important.”
The UK was an early adopter of PPPs, and HM Treasury’s James Bowler noted that the British government has done a lot of work to sharpen up its negotiating skills and central scrutiny. “We definitely learned a lesson on having a central unit, and on getting in quite a lot of private sector expertise; for us, that means paying wages that you wouldn’t normally pay in the public sector to get the right people in,” he commented. “We’ve got public sector wage controls at the moment, and we’ve had to bring in a special circumstance for commercial skills and say that we’ll pay people private sector [salaries] to work in this area.”

These lessons have been learned slowly, however. “You want the contracts to turn on passing the risk to the private sector, but the danger is that actually they turn on the assumptions you’re making for exchange rates and future inflation,” commented Bowler. “We never envisaged interest rates and inflation at such low levels when signing contracts five, ten years ago, and that’s left some contracts that look pretty generous to the private sector.”

More broadly, added Bowler, the UK has made some big changes to the way it offers contracts to private contractors. Falling costs and fast-growing capabilities in the IT sector have left many departments’ long-term, wide-ranging IT service provision contracts looking overpriced, so the government is now rebuilding its strategic IT development and management skills and offering out much narrower, shorter-term contracts. “You try and break it into smaller contracts, reduce the risk, and make those contracts more flexible and more closely reviewed,” he said.

Ultimately, then, the skills learned in commissioning PPPs may help governments to get a better deal across their procurement operations. “It’s a question of how you design the contract,” concluded Bowler. “And we’ve now got a lot of different options for how to do that.”

“It’s a question of how you design the contract...
And we’ve now got a lot of different options for how to do that.”

James Bowler
“Today, governments face increased social expenditures, investment needs, and security and immigration challenges,” said EY’s Arnauld Bertrand. “There is a need for higher productivity to finance all these new needs.” Yet many measures of productivity by sector, he explained, show that the public sector lags behind private industries.

Bertrand identified a number of factors behind this productivity gap. “Resources aren’t allocated in the best way,” he said, arguing that spending is most efficiently targeted in small organisations and when budgets are controlled by nimble, autonomous units. “The unique size and complexity of public organisations make it difficult to reach the optimal size in public bureaucracy and to measure the outputs and impacts of policies, and therefore often leads to inefficient allocation of resources.”

It’s interesting, he added, that those nations with ‘small’ governments (industrialised countries with public spending running at less than 40% of GDP) seem to experience both better economic performance, and stronger public sector performance, than ‘big’ governments whose spending comprises over half of the nation’s GDP.

Second, he said, public bodies aren’t as innovative as private businesses — in part due to the lack of competitive pressures: “Bureaucracies aren’t faced with true competition,” said Bertrand. “They don’t have the critical threat of bankruptcy, and globally have less incentives to innovate compared with entrepreneurs — for whom innovation is often a survival issue.”

“Bureaucracies aren’t faced with true competition... They don’t have the critical threat of bankruptcy, and globally have less incentives to innovate compared with entrepreneurs.”

Arnauld Bertrand
Third, their rigid HR systems and salary bands restrict their ability to build the best possible workforces. “It’s quite difficult to fire incompetent staff; and having a salary schedule rather than the private sector’s flexible system leads to under-rewarding the most productive staff—and even to over-rewarding the least productive ones.” Finally, Bertrand highlighted public bodies’ insensitivity to the ‘externalities’ created by their actions: “Public agencies often don’t see the full impact of what they do in terms of regulation, for example.”

To strengthen public bodies’ efficiency, Bertrand suggested the introduction of dedicated R&D units. In the private sector, it’s recognised that “it’s very difficult to innovate [in delivery teams], because you’ve got to run the day-to-day business,” he said. “So they have a research and development unit to look for innovations.” There are some examples in government, he added, pointing to the UK’s Behavioural Insight Team—which applies behavioural science to communications and services design, ‘nudging’ people towards publicly beneficial decisions.

Digital technologies offer huge opportunities to boost productivity, he added, and should be linked to reformed operating models, business processes and service delivery interfaces. There are particular and unique opportunities for emerging markets here, he argued, as digital transformations in both the front and back office could permit them to rapidly improve their performance and productivity—catching up with the advanced economies. Bertrand also highlighted the potential of outsourcing to cut service delivery costs and align spending with public policy objectives. But his strongest messages concerned the need to create small, autonomous teams and to empower civil servants to make the right decisions for their public policy goals and their service user groups. “In Canada and some Nordic countries, they managed to reform services by building small, agile and accountable agencies with an ability to hire, to evaluate, to reward and to fire the teams,” he argued.

Another approach explored by Bertrand was co-production, in which public officials work with “individual citizens and civic society as partners, designing and delivering public services to achieve higher public satisfaction and lower cost.” A diverse field, co-production spans the range from ‘personalisation’—in which individual service users are given a budget and a ‘menu’ of available services—to voluntary staffing of public services, private funding of public goals, and community engagement projects that draw in opinions, time and resources from the public.
Germany takes various routes into co-production, responded Torsten Arnswald. For years, he noted, the German Industries Federation and the Chamber of Commerce have funded 90% of apprenticeship costs: “It’s worth reflecting on the tasks that need to be performed by the public sector, and what could be done by other stakeholders.” And Mikhail Pryadilnikov, Deputy Director of the Analytic Centre for the Russian Government, commented that Moscow’s city administration ‘crowdsources’ citizens’ views and ideas to shape public services – deciding, for example, school opening times and the location of new traffic lights.

Bertrand’s last subject was performance management – something he said is “often one of the weakest points” in government. “Governments don’t have robust performance management systems and find it difficult to make the right decisions, and to evaluate policies or organisations,” he argued. “Performance information, evaluation, monitoring, assessment and reporting are key to improving transparency, accountability and productivity.”

Performance can be measured against a set of centrally-determined public policy goals, he suggested, along with other metrics such as service user satisfaction surveys and public service outcomes data. And today’s analytics technologies provide new ways to assess the complex outcomes of public policies, strengthening performance management organisations and reports. Only a few countries – such as New Zealand – have taken advantages of these techniques so far, he added, but there’s the potential to provide two key capabilities essential to effective and efficient government. “You need a clear idea of your main priorities, and to be able to measure progress against those objectives,” he explained.

Organisations’ performance should then help shape their level of autonomy, flexibility and oversight, Bertrand suggested. And civil servants should be rewarded according to their individual performance: “Whatever the reward may be – promotion, communication about your performance, financial reward – you’ve got to find something. If not, it’s not in the interest of the person to do more,” he said.

Civil service delegates agreed on the need to orient organisations around their public policy and delivery goals, but some questioned the application of competitive pressures within the public sector. “When it comes to professionals in the public sector field, it’s maybe not as important to have rewards based on performance or to create extensive competition,” commented Pryadilnikov.

“Performance information, evaluation, monitoring, assessment and reporting are key to improving transparency, accountability and productivity.”

Arnauld Bertrand
“But you do need a strong culture where people are proud to be part of that community. I studied the firefighting community [and found] that when it performed better, it wasn’t because of salary or performance metrics. It was because they liked to be firefighters; they liked to be professionals doing the job.”

Delegates also highlighted the need for central officials to listen carefully to frontline staff before setting performance metrics. “People at the frontline of public services often think they’re being tested on the wrong things by a centre that doesn’t see what they do day-to-day,” commented one delegate, suggesting that the centre can “ask for too many tests, and at the wrong time.”

Having observed Russia’s attempts to establish a comprehensive set of performance indicators, Pryadilnikov inserted a warning: “You can end up with too many performance measurements,”

he said. “Don’t overdo it: just measure the most important things. Everything else should be left to professionals in the relevant sectors.”

Bertrand agreed, adding that some metrics can create perverse incentives or be twisted for presentational purposes. Politicians and officials can ‘game’ performance measures by setting themselves targets that they know are easy to achieve, he said: sometimes “governments choose indicators they know they’re going to progress on, so you’ve got to be careful and have agreement between political parties on some indicators.”

Summing up, Yee found a formulation on which all could agree. “We use measurements to help run our organisation,” he said, “but we don’t let measurements run our organisation for us.”

Whatever the reward may be... ...you’ve got to find something. If not, it’s not in the interest of the person to do more.”

Arnauld Bertrand
Digitisation and Data

With an educated and tech-savvy population, a small land area and a modern infrastructure, Singapore is well-placed to develop digital government – and the city-state has taken full advantage, becoming one of the world’s most digitally-responsive and connected public sectors. It has not, however, been a straightforward journey: Chan Cheow Hoe, the Assistant Chief Executive (Government Chief Information Office) of Singapore’s Infocomm Development Authority (IDA), explained that Singapore’s digital evolution has moved through several stages.

From the early ‘80s, the government concentrated on “automation”, he said – putting a computer on every civil servant’s desk. “By 2000, the focus was on getting more services online through e-services, and then [from 2006] the focus was on integration.” By this time, said Chan, “there were literally hundreds of e-services being created”: the challenge was to prevent a proliferation of access points, login details, operating systems and data formats, ensuring that service users were presented with ‘one government’ rather than several stand-alone systems.

“Then in the last five years, the concept has changed quite a bit – from what we call an inside-out approach to an outside-in approach,” continued Chan. “In the past there was an idea that the government would provide people with everything. But now there’s a realisation that actually it’s about how the government works with individuals to provide the kind of services that citizens and companies need.”

Further developed under the government’s ‘Smart Nation’ campaign, Chan said, this collaborative approach is built around looking “at the interaction with government from the citizens’ point of view.” Crucial to this are the goals of “taking friction away, making things more productive, and being as anticipatory as possible so that a problem gets solved before it even exists.”

“...now there’s a realisation that actually it’s about how the government works with individuals to provide the kind of services that citizens and companies need.”

Chan Cheow Hoe
This means, for example, that rather than requiring taxpayers to input data into lengthy digital forms to complete their tax returns, the Singapore government uses its own data to carry out the relevant calculations and presents citizens with its own estimate of their tax liability. Nearly half of taxpayers use the system, cutting the time taken to complete their annual tax return down to a few minutes.

Singapore has applied a similar approach to managing feedback about municipal issues. “The internal organisation of government is extremely complex, so even a simple thing like complaining about a broken drain can involve multiple agencies,” said Chan. The solution was a smartphone app offering various categories of feedback or complaint: users simply select a category, photograph the problem and allow their smartphone to transmit the location—sending the data directly to the correct department. With the problem addressed, the app informs users that their message has been acted upon.

Adopting this approach minimises wasted effort on the government side as well as easing the citizen’s journey through public services, but it does depend on most service users being digitally connected. So Singapore’s government has worked hard to tackle the ‘digital divide’ and to build networks in the community—both driving up access to digital services, and gathering feedback, opinions and data to help shape online services.

This public engagement programme includes events—bringing together public agencies and citizens to “co-create solutions” to policy challenges, for example—and volunteering schemes, such as a training programme and emergency app that summons medically-trained volunteers to help people requiring immediate treatment. On the commercial side, it also incorporates “speed dating” events at which small businesses can pitch ideas to help public agencies address their policy or delivery challenges.

As government gathers more data on individuals’ interests, needs and preferences, it’s better able to ‘personalise’ services. “It’s no longer a one-size-fits-all model,” commented EY’s Mildred Tan. “We have to look at the needs of different people, and respond in a more individualised way.” And data also permits government to cut waste out of its operations and build services that more closely meet community needs.

In many countries, concerns around data security and privacy have constrained governments’ ability to make use of ‘big data’. But Dr Thia Jang Ping, Director of the Transformation Office in...
Singapore’s Ministry of Finance, commented that in his experience “citizens expect the government to be using this data; they expect agency A to talk to agency B.” However, he added that those expectations can “change quite quickly if data is lost or misplaced or there’s hacking going on, and public sentiments can swing”.

Where legal frameworks or public concerns prevent organisations from sharing personal data, Thia suggested, it’s often possible to pull useful insights out of anonymised data, or to ask the data owner to analyse the full dataset and share the findings. “We make a request with the Department of Statistics to run the analysis for us,” he said. “They run it, vet the findings, and pass the results back to the business or policy analyst.”

As the government builds its data assets, Singapore’s digital chiefs explained, it creates new opportunities to improve public services on many fronts. Tracking back through the life stories of children encountering problems at school, for example, officials identified a link between children with poor vaccination histories and those experiencing difficulties in secondary education. Social services are now alerted when parents fail to bring their babies to vaccination clinics, enabling public servants to operate in a more streamlined manner.

In another use of data, information pulled out of the infrastructure complaints app is shared with relevant agencies – so if citizens report a set of blocked drains, for example, fumigation teams are alerted to a risk of mosquito infestation. And on the public transport front, information on users’ journeys is collected to improve route planning: if lots of people are taking long journeys on a particular local bus, for example, there’s probably strong demand for an express bus service along that route.

There’s a virtuous circle here. As digital services improve, more citizens switch from traditional interfaces. Greater volumes further drive down transaction costs, whilst building up the government’s data on user journeys and individuals’ behaviour. That data feeds back into better targeted and more responsive public services. And that, in turn, encourages more citizens to take advantage of digital services. Ultimately, the result is better services, happier citizens and lower service delivery costs.

...citizens expect the government to be using this data; they expect agency A to talk to agency B.”

Dr Thia Jang Ping
The Future of Finance Ministries

Since the 2008 financial crisis, pointed out Finland’s Sami Yläoutinen, finance ministries’ work in addressing budget deficits and improving public sector efficiency have risen up politicians’ agendas. “There’s more attention being paid to these issues, and that makes our role very important,” he said. “Citizens expect that we do our core functions really, really well.”

Meanwhile, noted Germany’s Torsten Arnswald, many finance ministries have been handed a new set of tasks to safeguard and regulate banking systems, stabilise financial markets and build confidence in the economy. “There’s been a widening of tasks, a widening of the field that the ministry’s become engaged in,” he said, pointing to the risk that ministries become distracted from their traditional priorities. “It’s important that we don’t lose sight of the core functions: the budget, taxation, fiscal policy and, in our case, financial market regulatory issues,” he added.

The UK’s James Bowler agreed, pointing to the dangers when finance ministries’ functions expand beyond their core task: “efficient allocation of resources.” Yet EY’s Arnauld Bertrand highlighted the importance of addressing the challenges exposed by—and resulting from—the credit crunch. If governments run big budget deficits or public debts, he said, they’re poorly equipped to address new financial or economic shocks.

“So in this world of uncertainty and competition you have new roles to play: ensuring that states are in a position to answer crises, and facilitating a good business environment to create jobs and welfare for the population,” said Bertrand. Here, Bowler wholeheartedly agreed: “Your public finances have to be ready for each new economic shock,” he commented.

“It’s important that we don’t lose sight of the core functions: the budget, taxation, fiscal policy and, in our case, financial market regulatory issues.”

Torsten Arnswald
The 2008 crash, Bowler added, stripped away many finance ministries’ “false sense of security”. Officials had thought that “in a globalised world you’d always be able to contain a shock, or that the markets were liquid enough to deal with anything.” Following the brutal exposure of that misconception, finance ministries need the tools, expertise and capacity to intervene as necessary – using every tool from quantitative easing to emergency bank nationalisations.

This demands a new set of specialist skills – and Bowler acknowledged that the ‘generalist’ British system of developing civil service leaders can leave ministries short of “world-class, expert skills.” In part, he added, finance departments can address this by tapping into the expertise of non-governmental organisations, businesses and other governments. “Are we open to working externally so that we can gather the best ideas across different countries, the private sector, the public sector?” he asked. “We’d really like to do that, but maybe there’s a bit of institutional caution.

The need to develop safeguarding and intervention strategies, and to squeeze budget deficits, is made still more pressing by the fact that interest rates are already very low in much of the western world. Many monetary authorities, commented Bowler, “might increasingly look to fiscal authorities” for action to close deficits – something that’s more problematic because “the public appetite for taking some of the tough decisions required on the public finances diminishes as time passes since the financial crisis.”

Meanwhile, finance ministries in the western world are acting to shore up public confidence in the fairness of their tax collection systems. And along with politicians, finance officials around the world are building new institutions to help ground public debates in realistic assessments of the financial background. “Pretty much every EU country has established some sort of [autonomous] fiscal council, with a focus on making sure that macro-economic projects are not overly optimistic,” pointed out Yläoutinen.  

“Are we open to working externally so that we can gather the best ideas across different countries, the private sector, the public sector?”

James Bowler
As delegates chipped in their concluding thoughts, Bowler highlighted the value of examining the “budgetary illusion around interest rate payments”. And he emphasised the need for finance ministries to collaborate more closely to identify and address emerging financial and economic risks. “Increasingly, everything we do has global links,” he said. “We need to operate internationally and cooperatively.”

Lots of people, he added, “are trying to do similar things around the world, and there’s lots of learning to tap into – whether directly, through people like EY, or through think tanks.” Sami Yläoutinen was a particular fan of the Global Government Finance Summit format, which frees delegates to discuss issues openly and in depth: “Normally I go to seminars where there’s a huge audience, a presentation and maybe a couple of questions at the end,” he commented. “I find this kind of set-up an extremely useful way to have these discussions.”

“There are plenty of forums for officials holding international briefs, said James Bowler, but finance ministry officials around the world need more opportunities to share ideas and solutions on how to address their domestic challenges. “Bits of finance ministries get together quite often at the G20, the G7 and in various other guises,” he concluded. “But actually I work more on the domestic than the international side, and it’s very useful to meet people looking at tax or spending or fiscal issues – and to learn from them.”