

Citizen Engagement and Public Financial Management

The pivotal role of public sector financial leaders in advancing public participation in government policy and performance

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Agenda

Presentation Outline

1

History and background

2

Section 1: Beyond passive transparency

3

Section 2: What do citizens want?
Push or pull?

4

Section 3: Practical realities

5

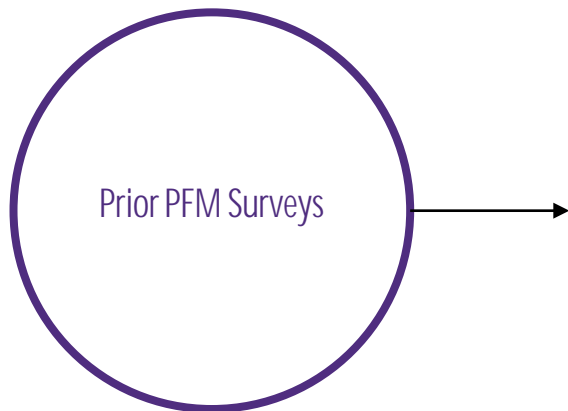
Recommendations

6

About the research

History and background

6th installment in a series of Public Financial Management (PFM) surveys



2005 Resisting Corruption in the Public Sector

2010 Progress in Public Financial Management Reform

2011 Public Financial Management Responses to an Economically Challenging World

2013 Public Financial Management Reform in a Period of Global Adjustment

2015 Public Financial Management Innovations in an Increasingly Complex and Uncertain Global Environment

History and background

About the ICGFM and Grant Thornton Surveys

- Purpose: To support the ICGFM mission and provide insight to PFM professionals for improving government financial management
- Sponsored by the ICGFM and conducted by Grant Thornton
- Anonymous survey, unless otherwise discussed

Beyond passive transparency

What is passive transparency?

Ex: Posting documents online as a box-checking exercise without active communication



% of participants believe fiscal transparency is a basic requirement for citizen engagement



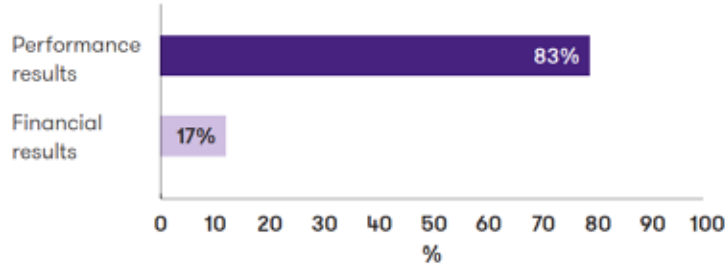
% of participants believe that fiscal transparency greatly increases citizen engagement

"Citizen-centric public financial management requires financial transparency. This transparency, even at minimum levels, must provide a window into budgets and support accountability, allowing for a healthy dialogue between governments and citizens."

Kathleen Sifer, managing director, public sector, Grant Thornton US

What do citizens want?

Performance results vs. Financial results:



- q Engage citizens with Performance Results first, then explain connection to financial results

Citizens want a second opinion:

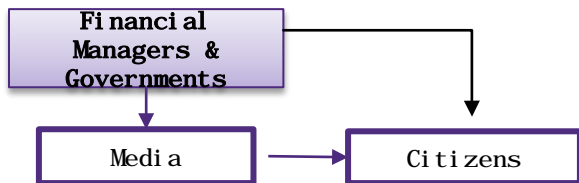
- q Non-governmental organizations (NGO's)
- q Academics
- q Media
- q Financial Managers – can play lead role in citizen engagement

What do citizens want?

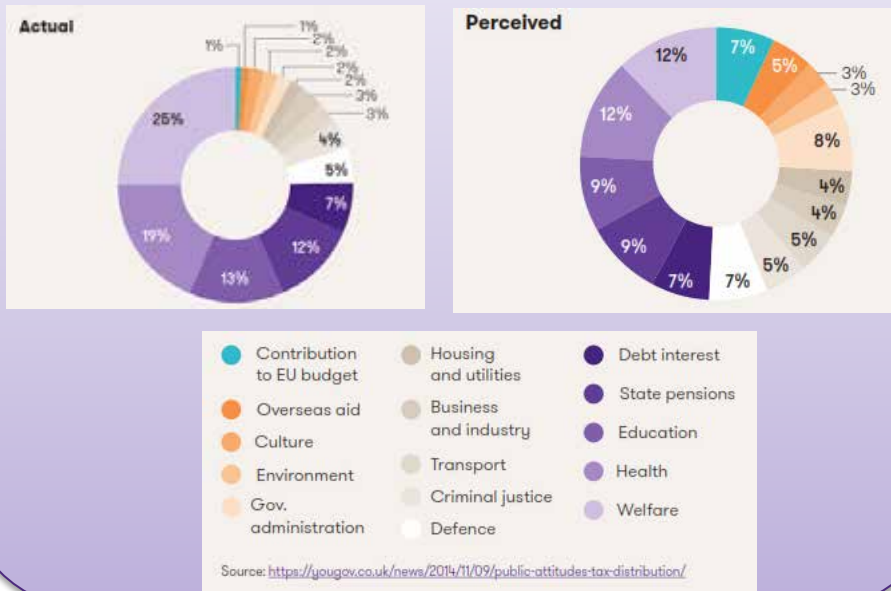
Freedom to Innovate

Financial Managers and Governments can improve citizen engagement by:

- q Working with Media to reach citizens more effectively
- q Involving Citizens in budgetary decisions



Example: UK and Australia show citizens how tax funds are used, helping to decrease the 'understanding gap' between citizens' perceptions and reality (UK statistics seen below)



What do citizens want?

Citizen engagement approaches

Push Approach

- Actively communicate, explain and distribute information about public finances
- Information is 'pushed' out to citizens in a format that fits their needs
- Favored by 88% of respondents in Developed nations and 55% of respondents in Emerging and Developing nations

Pull Approach

- Passively makes information available
- Rely on citizens to 'pull' information from government websites and other sources

Techniques governments have used to improve citizen engagement

- Media access to parliamentary sessions and legislative committees
- Whistleblowing systems
- Radio Interviews
- Developing and presenting a citizens' budget

Practical realities

Countries at different stages of development must pursue fiscal transparency and public participation in different ways in implementing PFM values

Challenges

- Use of outdated, cash-based accounting methods
- Governments that do not follow International accounting standards
- Use of outdated software to prepare Financial statements

Solutions

- Utilize creativity, flexibility and local customization
- Adopt accrual-based international public-sector accounting standards
- Use technology to strengthen citizen engagement and accountability

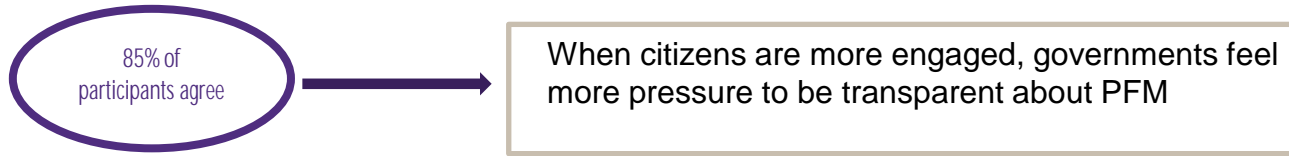
Recommendations: About citizens, with citizens, for citizens

Recommendations

- 1 Apply enforcement mechanisms:** put in place suitable enforcement mechanisms to safeguard the principles and processes of PFM
- 2 Build capabilities:** increasing the number and skills of local accountants and financial analysts is fundamental to many efforts to improve transparency
- 3 Customize the strategy:** customize PFM reforms, transparency efforts, and citizen engagement approaches to suit local conditions
- 4 Encourage ideas:** it is key that governments allow their people the freedom to test new ideas
- 5 Let citizens drive change:** government, and the use of public funds, needs to be all about the people

Recommendations: About citizens, with citizens, for citizens

- q Transparency and citizen engagement are key to effective government

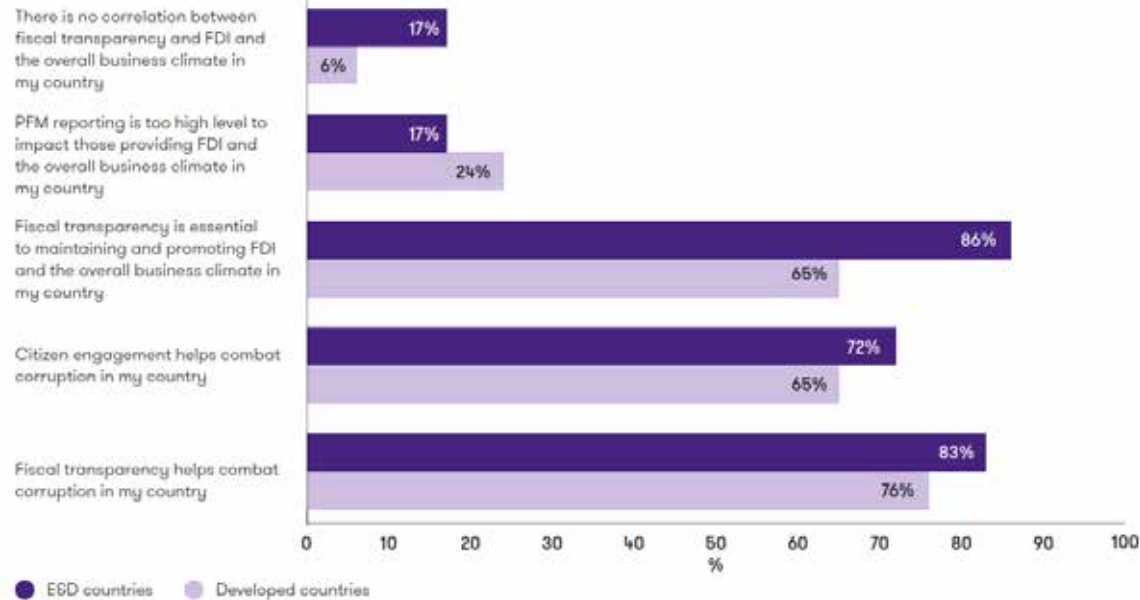


- q Enforcement of PFM is fundamental

- q "A key problem for us is a lack of effective sanctions for violating budget and finance laws" – anonymous South American participant
- q Properly enforced transparency can aid in the fight against corruption, yielding benefits such as increased Foreign Direct Investment

Recommendations: About citizens, with citizens, for citizens

Impact of transparency and citizen engagement on corruption and Foreign Direct Investment (FDI)



About the Research

- 1 Insights from 46 Public Financial Management (PFM) Leaders in Government, donor organizations, private companies and academia
- 2 Participants from 27 countries across the globe
- 3 Conducted in-depth interviews with 12 thought-leaders and subject matter experts



Acknowledgements

In-depth Interview

Panel

- **Gene Bellringer**, auditor general, Province of British Columbia, Canada
- **Miranda Carruthers-Watt**, city solicitor and monitoring officer, Salford City Council, UK
- **Ann Ebberts**, chief executive officer, The Association of Government Accountants (AGA), USA
- **Dr. René Fonseca Borja**, expert on government audit and PFM reform, Guatemala
- **Dr. Jesse Hughes**, professor emeritus of accounting from Old Dominion University, Norfolk, Virginia, USA and recipient of the Lifetime Achievement Award from the ICGFM in 2014
- **Patrick Kabuya**, senior financial management specialist, World Bank Group, South Africa
- **Ricardo Balmore López**, economist, Office of Budget Analysis and Monitoring, Legislative Assembly, El Salvador
- **François Mazella di Bosco**, public sector senior manager, Grant Thornton France
- **Kevin Page**, president and CEO, Institute of Fiscal Studies and Democracy, University of Ottawa, Canada
- **Hanif A. Rahemtulla**, senior public management specialist, Asian Development Bank, Philippines
- **Kathleen Sifer**, managing director, Public Sector, Grant Thornton US
- **Jim Wright**, president, the International Consortium on Governmental Financial Management (ICGFM), USA

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