National Happiness and Public Financial Management

Manuel Pietra

ICGFM Past President
Chairman of the Advisory Board, World Happiness Summit
President and CEO, FreeBalance
Why “happiness” in Public Policy?
Policy Complexity
Busy Happy Week in Miami

March 13 - 15
FISC: FreeBalance International Steering Committee

March 16
H20: Happy 20 Government Track

March 17-19
WoHaSu: World Happiness Summit

March 20
World Happiness Report

FreeBalance  H2O  ICGFM
Happy 20

Vicente Fox

Tal Ben-Shahar

Dr. Saamdu Chetri
World Happiness Summit Statistics

- 40+ COUNTRIES
- 2000+ ATTENDEES
- >90 SPEAKERS

WOHASU # 1
Trust

Source: Edelman Trust Barometer
Government

- Tight Budgets
- Low Trust
- Poor Outcomes
- Infrastructure Gap
- Poor Citizen Services
Power Shift

Reduced Digital Divide
- Social media
- Cross-border
- Blogging
- Rating systems
- Mobile

Institutions

Communities

Reduced Information Asymmetry
1. GROWTH AS PUBLIC POLICY
Positive?
GDP, Happiness & Life Satisfaction
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ARBEJDSGLÆDE

(n) when your work is a source of joy and happiness.

Danish
Consequences
Stress
Inequality
Health
Time Ticking on GDP
2. SCIENCE OF HAPPINESS
More than “Happiness”

Happiness

Well Being

Social Capital

Prosperity

Life Satisfaction
Happiness? Pseudo Science

Immoral Lacks Objectivity

Unrelated to Spending Cultural Differences

Not for Government

Immoral Lacks Objectivity

Unrelated to Spending Cultural Differences

Not for Government
3. POLICY PRIORITIZATION
Public Policy Spectrum

- Economics
- Short Term Goals
- Policy
- Budget
- Results
- Long Term Goals
Public Policy Spectrum

- Defence
- Public Security
- Environmental
- Social Welfare
- Education
- Health
- Transportation
- Energy

Long Term Goals

Short Term Goals

Policy

Budget

Results

Economics
Policy Guidelines

Participation
Education
Anti-Corruption
Health
Employment
Equity
Anti-Corruption

- Impact of trust in government on stability
- Impact of trust for tax compliance
- Reduced corruption (revenue & expenses) + increased tax compliance = financing better outcomes
Participation

- Impact of trust in government on stability
- Improvement of government policy
- Efficacy leads to improved wellbeing
Employment

- Long-term negative societal impact of unemployment
- Mental health implications of unemployment
- Importance of meaningful work
Equity

- Perceptions of procedural and discriminatory inequity
- Income inequity perceptions have cultural implications
Health

• Negative impact of poor mental health far higher than impact of poor physical health
• Shift to preventative health
• Significant linkage between environment & health
Education

- Cornerstone for happiness & wellbeing
- Shift from exam factories to future skills
- Instill life-long learning
Holistic Considerations

- Participation
- Education
- Anti-Corruption
- Health
- Employment
- Equity

Effect of unemployment on mental health
Holistic Considerations

- Health
- Employment
- Equity
- Anti-Corruption
- Education
- Participation

Effect of education on employment
Holistic Considerations

Effect of participation on anti-corruption

Participation

Health

Employment

Equity

Education

Anti-Corruption
Holistic Considerations

- Health
- Employment
- Equity
- Anti-Corruption
- Participation
- Education

Effect of bias in inequality
Holistic Considerations

- Participation
- Education
- Anti-Corruption
- Health
- Employment
- Equity

Cost of corruption to government programs
Personal Happiness & Wellbeing

Social Capital

Life Long Learning
But...

- Pressure for growth & “doing business”
- Globalization
- Open Government Partnership
- Sustainable Development Goals
  - Wide ranging & complex!
But...

- Pressure for growth & “doing business”
- Globalization
- Open Government Partnership
- Sustainable Development Goals
  - Wide ranging & complex!
- Now?
  - Happiness and Wellbeing?
Happy Planet Index = Health x Justice x Well Being

Ecological Footprint
Legatum Prosperity Index

- Health
- Education
- Economy
- Governance
- Personal Freedom
- Safety & Security
- Entrepreneurship & Opportunity
- Social Capital
<table>
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**Branding**

- FreeBalance
- H2O
- ICGFM: The International Consortium on Governmental Financial Management
Sustainable Development Goals

1. NO POVERTY
2. NO HUNGER
3. GOOD HEALTH
4. QUALITY EDUCATION
5. GENDER EQUALITY
6. CLEAN WATER & SANITATION
7. RENEWABLE ENERGY
8. GOOD JOBS AND ECONOMIC GROWTH
9. INDUSTRY, INNOVATION, INFRASTRUCTURE
10. REDUCED INEQUALITIES
11. SUSTAINABLE CITIES AND COMMUNITIES
12. RESPONSIBLE CONSUMPTION
13. CLIMATE ACTION
14. LIFE BELOW WATER
15. LIFE ON LAND
16. PEACE AND JUSTICE
17. PARTNERSHIP FOR THE GOALS

Governance
Social
Cultural
Economic
Environmental
4. MEASURING WHAT’S IMPORTANT
Why “Balance” Performance?

- People
- Process
- Politics
- Public Finances

Performance
Balanced Scorecard

Financial Stewardship
“financial performance”

Customer/Stakeholder
“satisfaction”

Vision and Strategy

Internal Business Process “efficiency”

Organizational Capacity “knowledge, innovation”

Strategic Objectives
Strategy Map
Performance Measures & Targets
Strategic Initiatives
Government Balanced Scorecard

Private Sector

- Financial
- Customer
- Internal Process
- Learning & Growth

Public Sector

- Citizen
- Internal Process
- Learning & Growth
- Financial
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<th>Government Service Delivery</th>
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- Other Sectors to Support

FreeBalance, H2O, ICGFM
Relevance
5. ROLE OF PFM
5.1. Classification is Important
Government Matrix Structure

Government

Ministries

Departments

Agencies

...
Government Matrix Structure

Government

Ministries

Departments

Agencies

National Objectives
Government Matrix Structure

Government

Ministries

Departments

Agencies

National Objectives

Sectors

---

FreeBalance

H20

ICGFM

The International Consortium on Governmental Financial Management
Government Matrix Structure

Government

Ministries

Departments

Agencies

National Objectives

Sectors

Programs
PFM: Core of National Wellbeing

Budget Classification
- Fund
- Organization
- Responsibility
- Program
- Accounting

Decision-Making

Transparency

Performance Classification
- Climate
- Health
- Education
- Infrastructure
- Gender
- Growth

FreeBalance
H2O
ICGFM
The International Consortium on
Governmental Financial Management
5.2. Public Investments
Controls

Income Tax
Customs & Excise
Sales Tax
Non-Tax
Debt Income

Budgets
Segregation of Duties
Transfers & Virements
Supplemental
Process

Purchase
Procurement
Social Programs
Grants
Debt Repay

FreeBalance
H2O
ICGFM
The International Consortium on Governmental Financial Management
Points of Control Failure

- Income Tax
- Customs & Excise
- Sales Tax
- Non-Tax
- Debt Income
- Segregation of Duties
- Transfers & Virements
- Supplemental
- Process
- Budgets
- Procurement
- Social Programs
- Grants
- Debt Repay

Brands:
- FreeBalance
- H2O
- ICGFM: The International Consortium on Governmental Financial Management
5.4. Fiscal Transparency
Fiscal Transparency

0. No Fiscal Information Available
1. Printed Fiscal Information Available for a Fee
2. Printed Fiscal Information Available for Free
3. PDF Reports Available on Web
4. Search, Select & Download Fiscal Information from Web
5. Open Data – API Integration for Civil Society Software
Role of Public Financial Management

1. Performance Configuration
   - Performance Structure
   - Financial Structure
   - Cost Drivers
   - Previous Year Financials
   - Transparency

2. Public Investment Planning
   - Plan Configuration
   - Multiple Year
   - Scenario Planning
   - Collaboration
   - Program Objectives
   - Approval
   - Transparency

3. Implementation
   - Controls
   - Procurement
   - Contracts
   - Progress
   - Transparency

4. Results
   - Management Dashboards
   - Performance Outputs
   - Performance Outcomes
   - Return on Investment
6. PUBLIC FINANCIAL MANAGEMENT LESSONS
A. Clarity
Wellbeing & Happiness

1. National Goals
2. Citizen-Driven Context
3. Relevant Sustainable Development Goals
4. Relevant Measurements
Wellbeing & Happiness

National Goals

Citizen-Driven Context

Relevant Sustainable Development Goals

Relevant Measurements

Socio-Cultural Context
“Best Practices”
B. Integration
Performance Integration

- Different Databases
  - Lack of Consistent Information

- Different Classifications
  - Metadata
  - Inconsistent controls

- Fragmented Information
  - No single view of government
  - Multiple versions of the truth
  - No budget visibility

- Manual Intervention
  - Error-prone
  - Lack of timeliness

- Poor decisions

Effectiveness

Cost, Accuracy, Time
Decision-Making

Budget distribution between Sub Funds and Groups

Budget by selected specific funds

GL Expenditures y GL Expenditures YRA por Fiscal period y Specific Funds

Top 6 Ministries Budget by selected SubFund

FreeBalance  H20  ICGFM
The International Consortium on Governmental Financial Management
Transparency Integration

Different Databases
- Lack of Consistent Information

Different Classifications
- Metadata

Fragmented Information
- No single view of government

Manual Intervention
- Error-prone
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Poor Transparency
Life, Liberty, and the Pursuit of Happiness
IN CONGRESS, JULY 4, 1776.

The unanimous Declaration of the thirteen united States of America.