

> FreeBalance: The Smart in Smart Government



Is smart government a paradigm shift: new, exciting and disruptive, or incremental – a rebranding of traditional technology? With so many late 20th century giants, like industrial manufacturers and legacy ERP vendors hopping on the “smart” bandwagon, it is hard not to be a touch cynical. You cannot help but think smart government is yet another underwhelming government digital trend such as e-government, government 2.0, or open government.

Technologists tend to focus on the digital and less on the transformation. More specifically, looking at transformation as a traditional change management exercise. There is a school of thought that realises that the transformation in digital is more profound.

The lack of government digital adoption has come from analogue thinking – the notion of making existing processes more efficient or less expensive. A digital mindset requires a citizen-centric approach to radically improve government service delivery and public investments. There will be no smart without leveraging ideas like design thinking, customer experience, and agile development.

WHY SMART NOW

Smart Government and Smart Cities appear to have more traction than previous digital initiatives. It is not that we have finally learned our digital lesson – it is that there are compelling forces to nudge adoption:

- **Sustainability:** the increasing recognition of the impact of using too many resources to support growth, with the need to improve environmental resilience and citizen well-being to prevent conflict.
- **Globalisation:** the impact of trade and competition provides the opportunity for financially sustainable growth and innovation.
- **Future of Work:** the impact of digital technologies is changing the nature of education, employment, and manufacturing placing significant regulatory and reform burdens on governments
- **Trust:** the traditional paternal relationship between government and citizens has resulted in lower levels of trust in the world of social media, meaning that governments need to improve services.

WHAT IS SMART?

Technologists see smart as the intersection of SMART technologies: social, mobile, analytics, cloud, and the Internet of Things (IoT). IoT is a driver for Smart Cities. Technologies do not make for smart. Smart Government is about:

- **Citizen-centric:** the reform of processes and silos to provide an effective user experience that

“A digital mindset requires a citizen-centric approach to radically improve government service delivery and public investments.”

improves the efficiency of government to citizen interactions.

- **Data-driven:** the ability to take data from all sources to make data-driven rather than dogma-driven decisions.
- **Performance-focused:** the focus on outcomes rather than inputs as a more effective set of key performance indicators.
- **Long-term:** the need to consider that pay-back benefits for smart government tends to be long-term, where improved planning and financial scenario management is required beyond election cycles.

These last three points lead us to conclude that public financial management (PFM) is the foundation for smart government.

PFM and government resource planning (GRP) systems are not on the periphery of smart government. PFM is integral to the smart government lifecycle. Smart government is not smart without smart PFM. Effective PFM provides a governance and decision-making structure that covers the planning, acquisition, implementation, maintenance, and results lifecycle.



PLANNING

Smart government needs to be planned, controlled, and monitored using multiple-year budget

formulation software with scenario planning. Budgets need to be tied to government objectives and performance indicators, particularly for public investments. Public investments require multiple years of financing in infrastructure, health, and education.

PFM enables smart planning through integrating policy like SDGs and national development strategies with programme budget classifications. These classifications are used to track performance and results in advanced PFM systems. Multiple-year planning is supported through medium-term expenditure frameworks (MTEFs) to ensure smart government fiscal stability.

Open government techniques like open budget portals and participatory budgeting can be integrated with PFM. For example, governments can publish budget expenditures, transfers, and variances daily to enable civil society engagement.

ACQUISITION

Smart procurement is needed to achieve the best value for money on smart technology acquisitions, including the ability to effectively manage complex capital assets, contracts, outsourcing, and public private partnerships (PPPs). Value and cost becomes critical to manage through tying acquisitions with performance criteria in budget classifications. The contract and payment process needs to be value-focused.

E-procurement systems can increase competition, reduce spending, and improve value. E-procurement is particularly valuable when integrated with GRP procurement software to automate the acquisition process and to ensure effective spending controls.

IMPLEMENTATION

System implementation requires technology and project skills, like other ICT investments. There is the additional risk and opportunity of newer technology inherent in smart government projects. Public investments like smart grids, smart infrastructure, and smart buildings are government capital assets. These assets need to be valued on the books to show the investment, location, and responsibilities.

MAINTENANCE

The maintenance of smart government infrastructure is also a complex process. GRP systems support the entire capital asset lifecycle of tracking and budgeting operating, upgrade, and maintenance costs. This includes maintenance schedules and work orders tied to the GRP system to track true costs. The useful lives of assets are tracked. Assets are depreciated and disposed.



RESULTS

Smart government requires performance management. GRP systems provide a 360-degree view of performance. This provides the structure for programme governance and smart government decision-making. Performance management differs in the public sector because of the need to tie outputs and outcomes to financials.

Results-based budgets provide the metadata for tying smart government objectives with performance outputs and outcomes. The performance structure embedded in budget classifications enables the creation of value-for-money procurement.

Smart devices in public investments such as transportation sensors, fleet GPS systems, or wearables for health care workers, quantify the use of assets to gauge value. These devices help predict changes in the useful life of government capital assets. They also help to track real maintenance costs that can be used to improve budget estimates.

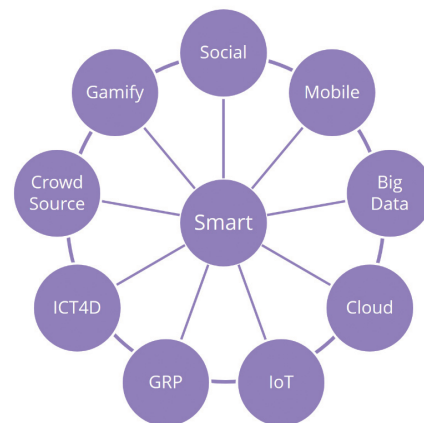
Smart devices also reduce maintenance costs through predictions. Sensors provide transportation, water, sewage, electricity, and other types of important data that can be used to improve government effectiveness. This information can be augmented by citizen reporting through smart phones and other devices about outcomes such as the quality of roads, water, sewage, and electricity processing.

The state of performance can be presented online through e-results portals that track the original purpose of any smart government initiative, the actual cost vs. budget and outputs and outcomes achieved. This is more useful for

public policy than simple budget portals that track revenue and expenditures.

There is not 360-degree performance management and e-results transparency without a unified data structure or metadata to integrate tracking for every stage in the smart government lifecycle.

The budget classifications from GRP systems can be enhanced with performance classifications tied to government objectives. This provides the structure necessary to show the purpose and results of smart technology presented through open government portals.



SMART GOVERNMENT IS COMPLEX

Smart government projects are technically complicated. Many technologies need to be integrated to provide smart cities, smart water, smart grids, smart education or smart health. Smart government domains, like smart transportation, are technical solutions

to overcome problems such as gridlock and pollution. The process of determining problems, identifying solution sets, and implementing technical systems is complex.

The process of determining relevant smart government technologies to address national development objectives, finding funding, monitoring outcomes, PFM reform, and convincing stakeholders, managing politics, and overcoming resistance to change is complex. Public investments, like smart government, are highly political.

PFM, supported by GRP systems, enables governments to quantify decisions to make technical and financial sense for smart government investments. GRP systems drive government performance management and fiscal transparency efforts.

ABOUT FREEBALANCE

FreeBalance was founded in 1984 to help government organisations around the world leverage technology to accelerate growth and economic development. The vision of the company has not changed. The technology and approach to good governance has.

The FreeBalance mission continues to be to provide national, state or provincial, and local governments around the world with innovative, sustainable, and smart solutions to support good governance, accountability, and transparency.

FreeBalance provides the smart in smart government. The company's unified governance platform improves the performance of smart government by providing a single view of data from government priorities (budget) through to execution and results. ✱