

Public Financial Management (PFM) and Blockchain

Situation

- Blockchain and blockchain-like distributed ledger technologies provides significant public sector promise to improve compliance, enhance controls, enable transparency, and increase trust in government
- Numerous Public Financial Management (PFM) use cases have been developed for identity, tax administration, procurement, and asset management independent of cryptocurrencies and Central Bank Digital Currencies (CBDCs) PFM use cases
- Blockchain represents one of many digital transformation “systems of innovation” GovTech PFM opportunities

Complication

Governments often experience:

- inability to scale promising blockchain prototypes, or poor prototype results because of taking a solution-driven, rather than a problem-driven approach
- complications on whether to use permissionless blockchain, permissioned blockchain, or non-blockchain encryption
- change resistance to using any technology that improves transparency, accountability, and anti-corruption

Question

How can governments better identify and implement effective blockchain and blockchain-like solutions?

Solution

The FreeBalance [Blockchain advisory service](#) assists government digital transformation using agile approaches. An **agile digital environment** is developed within governments. **Compelling PFM scenarios** are selected. Selected scenarios undergo a rigorous **testing approach**. Successful results are put into production through a robust **scaling approach**.



The service identifies constraints to success, and more cost effective alternatives. Blockchain initiatives are evaluated in context with other digital transformation efforts such as using Artificial Intelligence (AI) for tax administration fraud detection, mobile micropayments for social assistance, or social media outreach for participatory budgeting.

Appendix: Supporting Material

Supporting FreeBalance blog entries

- [Building Trust in Government With Blockchain](#)
- [Government Blockchain Readiness](#)
- [Why Governments Should Be Using Blockchain](#)