



Grant Thornton

An instinct for growth™

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## In the public eye

### *Positive public sector reform following global financial crisis*

The recent global financial crisis has resulted in a number of positives in the public sector globally, including a greater focus on risk management, increased recognition of the need for transparency and an ongoing focus on improving service delivery.

These are among the findings of a new international Grant Thornton report, “Public financial management reform in a period of global adjustment”.

The report shows that public sector entities around the world are grappling with very similar issues to those facing the South African public sector.

Many governments did not sufficiently employ risk management into their public financial management (PFM) practices prior to the economic meltdown, according to the report. It also highlights the fact that governments are now more widely focused on more efficient and effective service delivery.

A key trend — with over 65 percent of respondents citing it — is a focus on improving public procurement to address the need for more effective outcomes of the process and better value for money.

PFM is evolving during this post-crisis period with a greater emphasis on managing risk and more focus on the efficient, effective use of resources to better meet the needs of citizens.

“Public sector entities around the world are grappling with very similar issues to those facing the South African public sector.”



### Risk management

One of the clear lessons drawn from the crisis is that many governments were caught off guard when hit by adverse economic conditions. The research shows that since then, discussions on risk management techniques relevant to the public sector have become part of the PFM debate.

While the debate about which specific risk management techniques are best suited to the public sector continues, there is general agreement that governments need to better understand the financial impacts of current policies and future unexpected events.

An element of risk management that has gained particular focus has been the practice of identifying fiscal risks — those potential events that can significantly affect desired fiscal outcomes.

Forty percent of respondents indicated there were now explicit processes in place to recognise fiscal risks as a result of the global financial crisis. Certain benefit programmes or health care obligations can be massive risks to budgets in a number of countries.

Another element of risk management is taking steps to better understand the financial impacts of current policies. Slightly less than one third (31%) of participants have established improved methods for better understanding future costs of current policies.

Respondents cited examples such as using impact assessments or scenario analyses, and preparing budgets and forecasting costs in conjunction with medium- and long-term strategic plan development.

One area of risk management that has been a key part of most countries is the establishment of independent audit functions. In turn, the public sector audit community has been a pioneer in using risk as a key factor in determining its focus, primarily through the growing use of risk-based audit techniques and agenda setting.



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### Utilising procurement systems

Over 65 percent of respondents indicated they have introduced procurement system reforms to address the need for more efficient and effective PFM practices. Measures include decentralising procurement systems, introducing new procurement legislation, and introducing electronic procurement systems.

Others are still working on this process and stress the need for modifications to procurement policies and standards based on local context, rather than “copying and pasting” international standards that may not be relevant.

### Measuring the effectiveness and efficiency of service delivery

Over one-half of respondents (53%) indicated they have incorporated better methods to measure the effectiveness and efficiency of service delivery in their PFM practices. The most common method is through incorporating performance management into the budget process, although implementing a performance measurement system can be challenging.

### Increasing transparency

Two-thirds of respondents indicated their country had increased measures to improve financial management transparency for citizens, including policy changes, web-based systems, and public awareness efforts and campaigns.

### In summary

The survey indicates that the post-crisis adjustments include changes in PFM priorities that may prove to be permanent.

While the challenges have undoubtedly been great, many respondents indicated that the positive outcomes have been a greater focus on understanding risks that can impact fiscal outcomes, a greater recognition of the need for and benefits from transparency, and an ongoing focus on improving service delivery in a more efficient and effective manner.

### About the survey

The survey was executed using both in-person interview sessions and through an online survey instrument available in multilingual versions. The population of respondents included approximately 62 percent employed by a government and seven percent by development banks or donor organisations. The remaining respondents were primarily from academia and private companies engaged in government-related activities. Participants represented 51 countries.

To read the full survey, [click here](#)





**Reason says:  
there are three  
ways to grow.**

**Instinct says:  
strong partnerships lead  
to sustainable growth.**

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