



POLICY COSTS MONEY

What is the job of government? There are many possible answers to this question – particularly if you ask a politician – but my favorite response is, “to improve the lives of the governed.” If we accept this as a social contract, we are expecting the politicians to formulate policies that achieve this objective.

In one month alone in early 2005, for example, the UK government announced policies in areas such as caring for the elderly, extending maternity benefits and improving provisions for the disabled. On the face of it, these policies address different groups with different needs, yet they have one thing in common: they all require considerable funding.

The undeniable truth of government is that it is an expensive business. It’s hardly surprising then that the second most powerful job in government, under the chief executive, is usually the head of the treasury. At some stage in policy making, all politicians will approach the treasury to make their bids for funding. After all, no funding = no politics! But the treasury has its own problems. Before it can allocate money to spend, it has to raise it. And there is a finite amount of revenue that it can generate – after all, none of us like paying increased taxes. This is why governments are often accused of giving with one hand whilst taking with the other – they are dealing with a finite resource, the public purse.

It is particularly hard for a government to raise taxes when it also is accused of being wasteful or of not being good stewards of the national budget. After all, the government is not spending its money – it’s spending your money! Regardless of political persuasion, opponents will always seek to paint the government as wasteful, and those in government will have to justify their use of public money.

So, as a taxpayer, I’ve been very pleased to see a renewed focus from governments around the world on using information and intelligence to maximize efficiency in public sector finances. This focus allows a truly balanced approach: those who should pay do so, and those that should receive, benefit.

On the one hand, additional tax revenues are being raised to decrease fraud, to improve debt collection and even to identify loopholes in the law that can be closed. On the other hand, benefits and funds can be targeted to those members of society who most need them, and those benefits can be delivered with a minimum amount of cost or waste. Most of us agree that taxation is a necessary burden, but it is a burden that is easier to bear when we can see that the system is fundamentally fair.



In the case of the Peruvian Tax Authority (page 30), we see how the excise function could reduce government's intrusion into legitimate business and yet still achieve a dramatic 14 percent reduction in customs fraud and tax evasion.

In the UK, the National Health Service is able to get a more detailed understanding of fraud and use this information to both change the way the service operates, and to identify and pursue those that are committing the fraud. The monies being recovered are repaid directly into improving healthcare.

Even police and security forces are able to benefit as they bring more of their data together and make it available for analysis and interpretation. Straightforward projects like integrating data from disparate sources, in the way that Gloucestershire Constabulary has (page 32), show that big results can grow from relatively small initiatives.

So, whilst the nature of politics is about negotiation and compromise, the mechanics of politics are essentially about generating revenue and spending it wisely on the things that matter and make a difference. Probity, fairness and transparency are core values in effective democracies, and these values need to be protected from those who abuse public sector institutions and policies.

I believe some of the best practices developed within the commercial and private sectors are now being adapted and implemented in ways that are unique to the public sector. If we can build on these initiatives and disseminate these best practices and techniques, then we can return enormous sums of money back into the public purse without the burden of increased taxation – something I am heartily in favor of! ■

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