Microsoft

The future of public finance

Reignite the economy and drive financial accountability for your agency with the power of technology

Introduction ○ ○ ●

As the public finance landscape grows increasingly complex, agencies need solutions and technology that empower their teams to adapt, digitally transform, and meet the expectations of the public. Transformation is an urgent priority for many public finance agencies.

Driving forces:

- The need to leverage artificial intelligence (AI), Internet of Things (IoT), and big data analysis capabilities into fiscal processes
- An increased focus on the social and economic impact of public budgets
- Inefficiencies in siloed organizations that hamper collaboration and communication, especially in hybrid environments

Public finance agencies are tasked with solving some of society's biggest challenges. With a foundation of security, privacy, and trust, Microsoft empowers such agencies to meet their mission.

Objectives:

- Simplify taxpayer experience and revenue collection
- Drive informed budgeting for economic development
- Mitigate fraud and corruption in public finance

Cloud technology and AI have the potential to accelerate digital transformation for public finance so agencies can better serve their people. At Microsoft, our ambition is to help public finance agencies reignite the economy and drive financial accountability.

In this eBook, we'll show you how.

Simplify taxpayer experience and revenue collection

The challenges:

Taxes and revenue collection can be complex and frustrating for both taxpayers and employees in this space. Legacy systems can result in poor user experiences, and achieving compliance can be time-consuming. Security for sensitive personal data is of the utmost importance.

How tech helps tax and revenue agencies:

- Promote fiscal compliance using digitally secure and comprehensive revenue collection services across customs, taxation, license, and permit processes.

- Leverage new taxpayer engagement models that benefit both people and agencies.

- Enhance employee experience with innovative collaboration and communication platforms.

EU governments are losing more than **€50 billion a year** due to poor sharing of data among tax administrators.

Source:
Billions of euros lost to poor tax data, EU watchdog says – POLITICO

Scenarios:

Modernize taxpayer services

Taxpayers seek seamless experiences and need to trust agencies with their data. Improve their experience with secure, multi-channel services that build trust in the capabilities of government tax and revenue agencies. New taxpayer engagement models can help agencies proactively build data intelligence to improve revenue collection while reducing the cost of compliance, increasing agility, and improving productivity.

Tech in action:

Estonia's Information System Authority created an AI assistant for easier access to information

"A person can ask a question via Bürokratt, and this question will automatically be forwarded to the relevant state organization to answer it. This saves time, paperwork, and trips to different locations. Before, the same request could take up to two days to be resolved."

– Rainer Türner, Bürokratt Architect

Boost employee productivity

Employees in public finance agencies need tools to do their jobs most effectively and efficiently. Modernize employee experience and empower teams with technology that increases collaboration and productivity across agencies—even accommodating the new hybrid workplace reality. User-friendly interface, inter-operability, and automation of processes help employees access the right information at the right moment in a secure, insightful manner.

Tech in action:

Bank of Canada invests in cloud and builds complementary staff upskilling

"We invested in our own people and the return on that investment is a highly skilled and creative workforce, empowered with the digital skills it needs."

– Hajer Zaiem, Senior Director of IT Services

Drive informed budgeting for economic development

The challenges:

Budget and treasury agencies have the complex task of allocating public resources and are responsible for driving economic development—thereby containing decline and driving recovery efforts. They need innovative, secure tools that give them the data and support they need to be efficient and effective in their jobs.

How tech helps budget and treasury agencies:

- Proactively drive economic recovery through fiscally responsible grants, economic stimulus management practices, and intelligent procurement.

- Promote secure data-sharing capabilities and enhance collaboration between private sector organizations and government agencies.

- Empower employees with technology solutions that cater towards outcomes-driven investments and foster financial inclusion.

Trillions of dollars are directed globally by governments to households, businesses, local authorities for stimulus, recovery, and resilience plans.[1]

Source:
Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet | en | OECD

Scenarios:

Modernize budget planning and execution

Employees in budgeting agencies often have legacy systems that are insufficient for budget forecasting and planning. Leverage technology to augment budget planning with forecasting tools, automate budget distribution, deliver reports, and facilitate auditing. Reduce time and complexity for employees to complete tasks and provide data that enables outcomes-driven, informed decisions.

Tech in action:

Ministry of Economy, Trade and Industry in Japan leverages Power Platform to accelerate digital transformation (DX) of administrative services

- 58,000 administrative procedures based on laws and regulations that support applicants need to navigate
- 98% of those procedures are used less than 100,000 times per year

Consolidated by empowering employees with low-code development tools.

Boost employee productivity

Treasury agencies have significant management responsibilities while operating with accountability and transparency. Empower teams with the right solutions to manage liquidity, optimize debt management, and manage reserves and investments. Improve efficiency, ensure security, and reduce mistakes and rework while ensuring processes are smooth.

Tech in action:

United Kingdom, Department for Environment, Food, and Rural Affairs renews financial operations with Dynamics 365

- £2.4 billion paid out by The Rural Payments Agency in the United Kingdom each year to support a thriving farming and food sector and strong rural communities
- 250,000 payments made annually to 111,000 individual farmers or customers

All made possible with a secure, reliable, and adaptable cloud solution.

Mitigate fraud and corruption in public finance

The challenges:

Fraud and corruption are significant challenges that public finance agencies strive to combat as they serve the people and ensure strong economies for societies. They need solutions that give them fast, accurate data and analytics to make informed decisions.

How tech helps compliance and anti-corruption teams:

- Enable anti-corruption efforts through sustainable technological innovation and prevent waste, abuse, and fraud of public funds.

- Leverage analytics tools for the development of a 360-degree view of taxpayer profiles.

- Drive secure analysis and visualization of big data sets used to spot anomalies including abuse and fraud of public funds.

$3.6T economic loss due to corruption (5% global GDP, of which bribes make up $1.0T)[1]

Source:
Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet | en | OECD

Scenarios:

Improve compliance and protect against fraud and corruption ⸺

Public finance agencies need solutions to help them improve compliance and protect against fraud and corruption while also safeguarding taxpayers, employees, and all their data. Leverage technology to connect big data across multiple lines of business and apply cutting-edge AI. Make processes safer and more achievable and make more accurate decisions in real time.

Tech in action:

SymphonyAI helps financial crime investigators improve efficiency and accuracy

"We expect that investigations can be completed 60 to 70 percent faster, with 70 percent less effort on the part of the human investigator. That is a transformational shift in financial crime investigation."

– Even Whittaker, Solutions Consultant

Enable modern risk management ⸺

Risk is often inherent for public finance agencies, so teams need effective, modern approaches to risk management. Deliver monitoring and reporting across organizations, so everyone has access to information. Enable risk profiling and risk mitigation management. Leverage native apps with built-in privacy controls to identify, investigate, and remediate malicious and inadvertent activities quickly.

Tech in action:

CIAT supports tax administrations with optimization, automation, and machine learning

"Together, we're working to really impact tax agency efficiency, as well as curb fraud, and just make things more streamlined, overall, for administrations and taxpayers alike."

– Márcio F. Verdi, Executive Secretary

MICROSOFT AI PRINCIPLES

Responsible AI solutions that reflect principles rooted in timeless values

Microsoft is committed to advancing AI through principles that put people first.

We put our responsible AI principles into practice through the AI, Ethics, and Effects in Engineering and Research (Aether) Committee, as well as our [Office of Responsible AI (ORA)](#). The Aether Committee advises our leadership on the challenges and opportunities presented by AI innovations. ORA sets our rules and governance processes, working closely with teams across the company to support the effort.

Microsoft AI serves to enhance human capabilities, not replace them. It's designed to embody principles such as fairness, inclusivity, reliability and safety, transparency, privacy and security, and accountability. By using AI to optimize administrative functions and services, stakeholders are able to focus on what matters most: human-centered design, decision-making, and empathy.

In public finance agencies, decision-makers should consider not just what AI can do, but what it should do to innovate in a reliable and trusted way. It's critical to understand the components of a holistic approach to AI that will help agencies turn meaningful innovation into actionable results for their communities. The [AI business school](#) learning path offers a blueprint and roadmap designed for decision-makers to realize the true transformational impact of AI in the public sector.

New opportunities

Public finance agencies have valuable, impactful opportunities as they continue their digital transformation and modernization. As they are tasked with ensuring the health of the economy, these agencies meet their mission by:

- Improving revenue collection to fuel economic development

- Simplifying processes to make doing business easy and attract investment

- Boosting trust to ultimately drive compliance

As these agencies accelerate the shift from traditional, manual processes to connected systems driven by data and AI, they can automate operations, enhance user experience, and improve compliance. AI becomes a crucial building block powering each of these five key opportunities ahead.
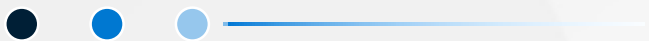
Tax compliance by design

Technological advancements enable real-time insights and a secure, 360-view of taxpayers and transactions. Solutions can embed both proactive error checks and correction suggestions as well as fraud prevention algorithms to reduce revenue loss to fraudulent claims or declarations.

Intelligent connected trade windows

Intelligent connected trade windows help customs authorities facilitate legal trade, protect people and the environment, and ensure regulatory compliance. Collaboration and visibility are crucial both nationally and internationally as well as between data providers and data consumers to give a complete picture of transactions. The data flowing through trade windows and across government agencies can identify both growth opportunities and risks.

Digital currency

Central Bank Digital Currencies (CBDCs) are virtual forms of fiat currency that use an electronic record or digital token. They are issued and regulated by the central monetary authority of a country. Around the globe, 93% of central banks are in some stage of CBDC development, per data from the Bank of International Settlements. One of the biggest benefits of CBDCs is better correlation between fiscal and monetary policy that will increase financial resilience of the economy and stronger AML and security capabilities.

Outcomes-based budgeting

Society expects transparency in budgets and outcomes from governments. Treasury agencies need to transition to outcomes-based budgeting and track progress to jurisdictional outcomes. An accountability framework would need to look at outcomes and service levels to be achieved by total expenditure, evidence on the effectiveness of programs to deliver these outcomes, transparency on the performance of total expenditure in achieving the outcomes, and continuous improvement in how services are delivered, and outcomes achieved.

Cyber and financial crime detection/prevention convergence

Cybercrime is globally disruptive, economically damaging, and a threat to national security. Cyberthreats are surging and attacks are increasingly sophisticated in the financial crime world. Risk of fraud is heightened with social media, e-commerce, and the rise of open banking platforms. Preventing and detecting financial crime is no longer effective without considering cybersecurity capabilities.

Take the next step

Digital transformation has never been more important for public finance agencies. Microsoft is ready to help. Our trusted, secure technology can empower your agency to increase transparency, improve efficiency and ease of use in taxpayer experiences, foster economic development, and combat tax fraud and mitigate waste.

Get started today:
aka.ms/publicfinance