

AI FOR SPEND MANAGEMENT

Shaping the Future of Government Operations and Financial Discipline in Dubai



GLOBAL CHALLENGES IN SPEND CONTROL

Effective financial management is a critical challenge for governments worldwide, as they strive to ensure fiscal discipline, reduce waste, and optimise resource allocation. For instance, governments today spend an estimated \$13 trillion each year on public contracts for goods, services and public works. As much as a quarter of that is wasted in inefficient or shortsighted procurement practices. Halting the waste could free up at least \$1 trillion a year to put economies on a path towards green, resilient, and inclusive development ¹. Moreover, the complexity of government budgets, with multiple departments and layers of expenditure, makes it difficult to maintain oversight and accountability. This challenge is further exacerbated by the need to respond quickly to economic changes while ensuring public funds are used efficiently and transparently.



KEY STATISTICS



The World Bank estimates that up to 25% of the

USD 13 trillion

spent annually on **public procurement is wasted** due to inefficient or shortsighted practices.

This amounts to approximately

USD 1 trillion

in potential savings each year if procurement processes were optimised.¹



As of 2023, **global public debt reached a record high** of

USD 97 trillion.

This figure includes both domestic and external debt across central, state, and local governments worldwide.²



According to research from IBM, **50% of companies using AI** for forecasting reduced overall error by at least

20%

Moreover, **25% of companies** saw a decrease of at least

50%³





WHAT DOES IT LOOK LIKE IN DUBAI?

Dubai, as a leading global city, recognises the importance of maintaining stringent financial controls to support its ambitious development goals. Dubai's Department of Finance launched the SFP program to develop the Public Financial Management system by transitioning to a Performance-Based Budgeting System (PBBS). This initiative aims to enhance fiscal planning and budgeting processes, ensuring fiscal sustainability and efficient resource management ⁴. The UAE has implemented automated systems to enhance the budgeting process, ensuring transparency and efficiency. These systems help identify main and complementary services for each government entity and compare similar activities across various authorities ⁵. To maintain its global leadership, Dubai must continue to adopt advanced technologies like AI while addressing challenges such as integration and data privacy. Intensified efforts in technology adoption and personnel upskilling are crucial for optimising financial management and sustaining long-term growth.

HOW AI WILL SOLVE THIS CHALLENGE

AI can significantly enhance financial tracking, spending, and procurement processes by providing real-time analytics, predictive insights, and automated decision-making. Through machine learning algorithms, AI can detect anomalies in financial transactions, optimise budget allocations, and streamline procurement by predicting demand and identifying cost-saving opportunities. AI-driven systems can also automate routine tasks, reducing human error and increasing efficiency across all financial operations. Integrating AI ensures accurate tracking, transparent spending, and efficient resource management, ultimately improving fiscal sustainability and accountability for the Dubai government.



THE IMPACT OF USING AI FOR DUBAI

AI will play a crucial role in enhancing Dubai's financial management and spending control. By integrating AI-driven systems, the Dubai Government will be able to monitor, analyse, and optimise expenditures in real-time. These AI systems automatically detect anomalies in spending patterns, such as deviations from budgeted amounts or unusual transactions, enabling prompt investigation and corrective action, which could lead to a 30% reduction in financial errors. Additionally, AI will streamline the budgeting process by analyzing historical data and economic indicators to generate accurate forecasts and identify potential risks. This proactive approach could result in a 25% decrease in budget variances, improving overall financial discipline and ensuring that public funds are allocated more effectively. By automating routine financial tasks, AI also frees up government officials to focus on strategic decision-making, further enhancing the efficiency and effectiveness of Dubai's financial management and support the objectives of the Dubai Strategic Plan 2030 development project as well as the Dubai Economic Agenda "D33."

CITATIONS

¹ World Bank, "The Hidden \$1 Trillion: Halting Waste in Public Procurement," www.blogs.worldbank.org/en/voices/hidden-1-trillion-halting-waste-public-procurement, accessed 2024.

² UNCTAD, "World of Debt," www.unctad.org/publication/world-of-debt, accessed 2024.

³ IBM, "Public Sector White Paper," www.ibm.com/downloads/cas/JDEPLEMJ, accessed 2024.

⁴ Department of Finance (UAE), "Strategic Financial Planning," www.dof.gov.ae/en-us/sfp/Pages/SFP.aspx, accessed 2024.

⁵ UAE Ministry of Finance, "Federal Budget Framework," www.mof.gov.ae/federal-budget-framework-and-process, accessed 2024.