



SUSTAINABLE PUBLIC FINANCES – EU PERSPECTIVES

An informal discussion series organised by ICAEW, with the support of PwC

“VIEWS FROM INTERNATIONAL INSTITUTIONS”

Tuesday 24 September, 19.30 – 22.00
Brussels

INTRODUCTION

The global financial and economic crisis is bringing about profound changes in international, financial and government institutions. In Europe, the crisis has also drawn particular attention to the poor quality of financial management, reporting and governance in the public sector, highlighting the need for greater action to address these interconnected shortcomings. At this critical stage in policy development, ICAEW is bringing together key decision-makers and experts with a wide range of perspectives to help advance discussion on how to promote better financial management, transparency and accountability in the public sector throughout Europe.

Over the course of 2013 four informal discussions are being organised by ICAEW, with support from PwC, focusing on the overarching theme of sustainable public finances in Europe. In order to provide fresh input into the debate, each individual discussion will explore a particular aspect in greater detail. A synopsis capturing the key points will be published after each discussion to develop specific ideas and encourage feedback from a wider group of stakeholders who have an interest in the theme and issues addressed.

The next informal discussion, taking place on 24 September 2013 and bringing together around 20 or so high-level participants from varied backgrounds, will provide an opportunity to hear perspectives from international institutions.

VIEWS FROM INTERNATIONAL INSTITUTIONS

International discussion of the importance of accruals accounting has assumed increasing importance in recent years in the framework of enhanced public sector financial management. Debate within the EU on driving reform of public sector reporting can both usefully draw from international experiences and provide input into the international dialogue.

Just as many countries are moving away from cash accounting and adopting accruals, so too are international institutions such as NATO, the OECD and the European Commission, basing their internal accounting on International Public Sector Accounting Standards (IPSAS). International institutions, such as the World Bank and the IMF, are also playing an important role in driving change in many countries whether by the setting of certain conditions in lending policies or via broad support for the work of the international standard setter (IPSASB). Lessons from these international experiences can provide useful insights to the political debate on the need for reform currently taking place in Europe.

A key question being raised in the EU relates to the possible adoption of public sector accounting standards and the necessary governance architecture around any future standard-setting process. The report issued by Eurostat in March 2013 suggests that while IPSAS should be a reference point for European standards there are different routes forward. Understanding the standard-setting process and the appropriate oversight arrangements will be critical. Above all, it will be important not to lose sight of the fundamental role of standards in helping to achieve appropriate transparency and thereby encouraging better financial management and accountability across the public sector across the EU.

The users of financial information, given the increasing global nature of capital flows, must also be considered. As in the debate on private sector financial reporting, the relationship between the EU and the

wider international economy should not be neglected. Among the many different drivers of reform towards better systems of public sector reporting, the role of international financial markets is perhaps the most under-discussed. To date, markets do not seem to have been overly focused on the accounting base of public sector reporting; it is an open question whether lenders to national governments will enhance their scrutiny in this regard – and indeed whether they cannot afford not to do so.

TOPICS FOR DISCUSSION

We hope that the discussion on 24 September will provide an opportunity to stimulate debate on a number of questions, structured around the following three areas:

How can Europe best draw from international organisations' experience to inform its own reform steps?

What lessons can be drawn from the moves towards accruals accounting by international organisations? What have been the key drivers of the reforms and who have been the key beneficiaries? Where is reform still slow to take hold and what are the key obstacles? Can implementation of accruals accounting in international organisations provide particular insights into the management challenges EU member states may need to overcome?

What is the best course for the EU in relation to public sector standards and oversight?

What are the key components of successful international standard setting which balance the goals of international comparability with the specificities of individual countries (and regions)? What kind of governance architecture can deliver effective public interest oversight while achieving genuine transparency in public sector reporting? How can international institutions influence the debate? How can the EU best employ its resources with regard to public sector standard setting? How should the EU take account of the different stages of reform among individual member states?

What is the relationship between international financial markets and public sector reform?

How do international financial markets view public sector reporting today? Would investors in government bonds benefit from government accounts based on internationally harmonised standards? Would better information change the allocation of capital? To what degree can international financial markets play a more active role in the achievement of public sector reform? Can an alignment around long term sustainability be achieved? What is the right balance between different drivers of reform, including democratic challenges for greater accountability and market pressure?