



SUSTAINABLE PUBLIC FINANCES – EU PERSPECTIVES

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

“DEMOCRATIC ACCOUNTABILITY AND FISCAL SUSTAINABILITY”

November 2013, 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 within much of the public sector, highlighting the need for greater action to address these interconnected shortcomings.

The ‘Sustainable Public Finances – EU Perspectives’ discussion series encourages greater debate on improving financial management, transparency and accountability in the public sector throughout Europe. The third informal discussion, taking place in November 2013 and bringing together around 20 high-level participants from varied backgrounds, will provide an opportunity to consider issues of democratic accountability and fiscal sustainability from different perspectives.

A synopsis capturing the key points will be published after the discussion to capture specific ideas and encourage feedback from a wider group of interested stakeholders.

DEMOCRATIC ACCOUNTABILITY AND FISCAL SUSTAINABILITY

Issues of democratic accountability and fiscal sustainability have attracted ever greater public attention in recent years and this trend appears certain to become more pronounced. The financial and economic crisis has inevitably increased scrutiny of public finances across the EU. Austerity debates may be at the forefront, but attention is also centred on the specific aims and use of public expenditure with more and more consideration given to ensuring ‘value for money’. Also under the spotlight are the structures and workings of tax systems and the capacity of these systems to sustain public services and standards in the face of longer-term changes, not least the demographic challenge facing many EU member states – and the subsequent impact on healthcare, welfare and on pension liabilities. The interaction between such longer-term perspectives and more immediate issues relating to the impact of tax changes on economic growth today is critical. Policy-makers also need to find a way to balance different demands with regard to tax systems, from public perceptions of legitimacy and fairness at national level to the impact of increasingly mobile international companies and individuals on domestic tax systems.

Discussions on the accountability and sustainability of public finances within democratic institutions and between elected representatives and citizens can often be animated, if not heated. This reflects an acute public interest in such matters. Appropriate public finance governance, management and reporting structures are key to ensuring effective systems of democratic accountability and fiscal sustainability – although unfortunately they are too often of less interest to the public debate. Effective financial management, reporting and governance within the public sector is however necessary to enable informed discussion within democratic institutions and meaningful communication between citizens, elected representatives and other independent bodies, including those fulfilling a vital control function in seeking to ensure robust evaluation of the use of public money today and tomorrow. The discussion will seek to draw out the relationship between the underlying information flows generated by and through the accounting, auditing and governance systems within member states and the broader debates on how to hold elected representatives to account while working towards long-term fiscal sustainability in Europe.

TOPICS FOR DISCUSSION

We hope that the discussion will provide an opportunity to stimulate debate on a number of questions, structured around two broad themes:

Democratic accountability

- To what degree do current systems of public sector management, reporting and governance provide an appropriate basis to ensure democratic accountability with regard to public finances and expenditure across the EU? Are elected representatives required to atone today for past shortcomings?
- Is the interaction within democratic institutions and between them and independent bodies exercising control appropriately structured to help achieve the overarching, long-term objective of sustainable public finances?
- How can the interaction between electorates and elected representatives become more attuned to the immediate calls for more efficient and effective spending of public monies while working towards the longer-term goal of achieving sustainable public finances? To what degree can improvements to public sector management, reporting and governance help?

Fiscal sustainability

- Are current approaches to fiscal sustainability across Europe sufficiently long-term? Do they take proper account of existing and foreseeable structural challenges, including the impact of demographic changes on healthcare, welfare and pension liabilities?
- Are debates on fiscal sustainability appropriately informed? Is the capacity of the public at large to understand the challenges underestimated? Could better communication enhance the debate and policy-making?
- How can the engagement between electorates and elected representatives be improved, particularly with regard to the functioning of tax systems and their role in securing long-term fiscal sustainability?

The discussion will take place under the Chatham House Rule.