



# Drivers of Public Sector Accounting Reforms

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**The implementation of accruals is a long-term project in the public sector, and clarity of direction is important. None of the countries deciding to initiate PSA reform have the same starting point, capabilities, and DRIVERS. It is important to acknowledge this fact in setting country's reform objectives and paths .**

## Types of drivers of public sector accounting reform



- Drivers are one of the main things that influence something or cause it to happen, make progress, develop, change or grow stronger. **Without a driver, not much happens.**
- A “right driver” will: (i) cause whole system improvements (ii) be measurable in practice and in results, and, (iii) have a clear link to the transformation strategy. The right drivers – capacity building, group work, instruction, and systemic solutions – are effective because they work directly on changing the culture of the systems (values, norms, skills, practices, relationships).
- By contrast, a wrong driver is one that: (i) may sound good but actually does not produce the results it seeks (ii) may make matters worse, and, (iii) on closer scrutiny can never have the impact it promises. Wrong drivers alter procedures and other formal attributes of the system without reaching the internal substance of reform – and that is why they fail.
- The glue that binds effective drivers together is the underlying attitude, philosophy, and theory of action. The mindset that works for whole system reform is the one that inevitably generates individual and collective motivation and corresponding skills to transform the system.

# Classification of drivers of public sector accounting reform - Internal



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## TECHNICAL DRIVERS

(non-political, tangible, easier to objectively assess and address)

## NON-TECHNICAL DRIVERS

(political economy, intangible, difficult to objectively assess and address)

### INTERNAL

- Drive for better transparency and accountability
- Drive for better management of strategic resources
- Drive for improved awareness and management of costs
- General drivers which require better public sector accounting e.g. drive for better fiscal position, better management of financial risks

- Institutions – government, legislatures, courts, media, NGOs, formal and informal institution
- Interests – including specific objectives of the various actors
- Ideas - policy options and recommendations derived from descriptive research and normative values: what is and what ought to be; windows of opportunity

# Classification of drivers of public sector accounting reform

## - External



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### TECHNICAL DRIVERS

(non-political, tangible, easier to objectively assess and address)

- To monitor compliance with EU's Article 126 excessive government deficit obligations
- To comply with ESA2010 reporting requirements and Council Directive 2011/85/EU
- Regional or international accounting standards such as IPSAS, EPSAS initiatives
- Fiscal rules, indicators,
- Public Finance Assessment – REPF, PEFA, OBI etc
- Enterprise Resource Software (ERP) solutions

### NON-TECHNICAL DRIVERS

(political economy, intangible, difficult to objectively assess and address)

- Aid, donors, international financial institutions
- Credit rating agencies
- Commercial creditors, bondholders of public debt
- Global drivers i.e. non-aid external drivers of accountability and governance

EXTERNAL

# Main challenges and obstacles of public sector accounting reforms



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## LEADERSHIP

- Lack of leader
- Weak or unstable political support
- Reform tied to one champion or only external drivers
- Changes in reform priorities
- Election calendar

## PROJECT MANAGEMENT

- Lack of strategic design and decisions
- Poor implementation planning and reform sequencing
- Piecemeal approach
- Lack of coordination
- Unrealistic timetables and demands

## RESOURCES

- Limited budgets
- Lack of staff to implement
- ICT limitations
- Reliance on donor support only
- Lack of consultants or expertise on the market

## BEHAVIOUR

- Lack of buy-in from stakeholders' groups
- Resistance to change
- Vested interest in status quo
- Insufficient communication
- Reform fatigue or overload

# Practical observations



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- **the best results for PSA reforms seem to be achieved if there is a good mix of internal, external, technical as well as non-technical drivers that can support not only the start but also the full implementation of the PSA reform.**
- In ECA Countries PSA reforms have been initiated by external technical drivers rather than domestic internal drivers. While external drivers are effective in starting the reform, they are insufficient to sustain implementation and produce results that are useful for decision-makers.
- the encouragement of development partners, PSA reform has often been included within governments' broader PFM reform strategies.
- internal technical drivers such as those embedded in laws and regulations, are not sufficient to implement PSA reform without political support and buy-in from groups of key stakeholders.

# Assessment Tools



- An ideal tool to support public accounting reform should include not only a diagnosis of current framework, capacity and practice, guide on formulation of reform roadmaps but should also identify drivers and obstacles to the reform and propose how to address them
- The World Bank's diagnostic tool, the Report on the Enhancement of Public Sector Financial Reporting (REPF) – Diagnostic Tool supports such assessments which can inform further reform plans.
- Next generation assessment tool should also facilitate preparation of the reform plans, identification of drivers and obstacles of reforms or political economy aspects which can either support or hinder reforms.
- There are no neat and easy methods of assessing non-technical drivers. The earlier World Bank tool, Institutional and Governance Reviews, focused on the functioning of key public institutions and analysed the feasibility of reform. Refer to the report's case studies and annexed examples.
- Windows of opportunity are important in terms of and as a strategy to address non-technical drivers.



**Thank you**