Implementing accrual accounting: Main challenges and lessons learnt
Successful accrual accounting reforms require a comprehensive reform model

Political capacity is the capacity of a government to secure political support as well as securing the necessary resources (i.e., financial and non-financial) to be consumed / invested within the reform process. Political capacity also includes a clear vision and reform objective.

Institutional / organizational capacity is the ability to define institutional arrangements, structures and processes in support of the envisaged public sector accounting and financial reporting reform. It includes proper reform governance and monitoring of the reform process.

Technical capacity is the ability to set up proper technical infrastructure and other form of capacities (i.e., IT, IFMIS, Software, development and integration of Chart of Accounts, etc.) to support the reform process.

Human capacity is the ability to develop a sustainable human-capacity building program, therefore preparing and enabling people to conduct new tasks arising from the envisaged reform.
Different accounting reform models

Feasible & successful transformation model

- Standard implementation
- Technical & human capacity issues
- Iterative, experimental & sequenced steps with the right sequencing of activities
- Political and organizational issues

Transformation model with lower probability of success

- Standard implementation
- Technical & human capacity issues
- Iterative, experimental & sequenced steps with the wrong sequencing of activities
- Political and organizational issues

Source: World Bank, 2020
Direct vs. indirect adoption: Both have been completed successfully. Indirect has the advantage that the issues are addressed early in the process.
- **Political and institutional capacity:** Are clarified early.

Multi-Annual Implementation Projects take 5 to 7 years: Rigorous preparation, with clearly defined and measurable milestones, but then **transition in only one year** (≠ IPSAS 33).

Technical capacity: There is no IT solution “from the shelf” and a **design has to be developed**, including the **interface with GFS**.
Thank you!

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