

PUBLIC SECTOR ACCOUNTING REFORM IMPLEMENTATION STATUS IN PULSAR COUNTRIES

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June 29, 2022



CFRR >>
Centre for Financial
Reporting Reform



PULSAR 

Public Sector Accounting and Reporting Program

PULSAR Program is co-funded by:

 Federal Ministry
Republic of Austria
Finance

 Schweizerische Eidgenossenschaft
Confédération suisse
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Swiss Confederation

Federal Department of Economic Affairs,
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Presentation's structure



- ✓ Objectives and scope
- ✓ Key findings
- ✓ PSA reforms implementation status
- ✓ Main challenges
- ✓ Lessons learned and recommendations
- ✓ Next steps



Objectives



- ✓ Support national and subnational governments in developing efficient and effective PSA systems.
- ✓ Help public sector entities to develop an understanding of:
 - Local PSA system and environment,
 - The gap between national and international PSA frameworks,
 - The gap in actual application between national PSA standards and IPSAS.

Key findings



- ✓ Implementing accrual-based PSA systems is associated with many benefits:
 - Improving the quality of public services provided
 - Ensuring fiscal stability and the promotion of national economic growth
 - Improving the acceptability and credibility of governments



Transparency

- ◆ Complete picture of public finances
- ◆ Better quality of fiscal statistics



Financial management

- ◆ Improved basis for decision-making
- ◆ Improved management of fiscal risks
- ◆ Strengthened management of assets

Accountability



- ◆ Objectified financial information
- ◆ Enhanced political participation and inclusiveness
- ◆ Improved trust in governments

Key findings



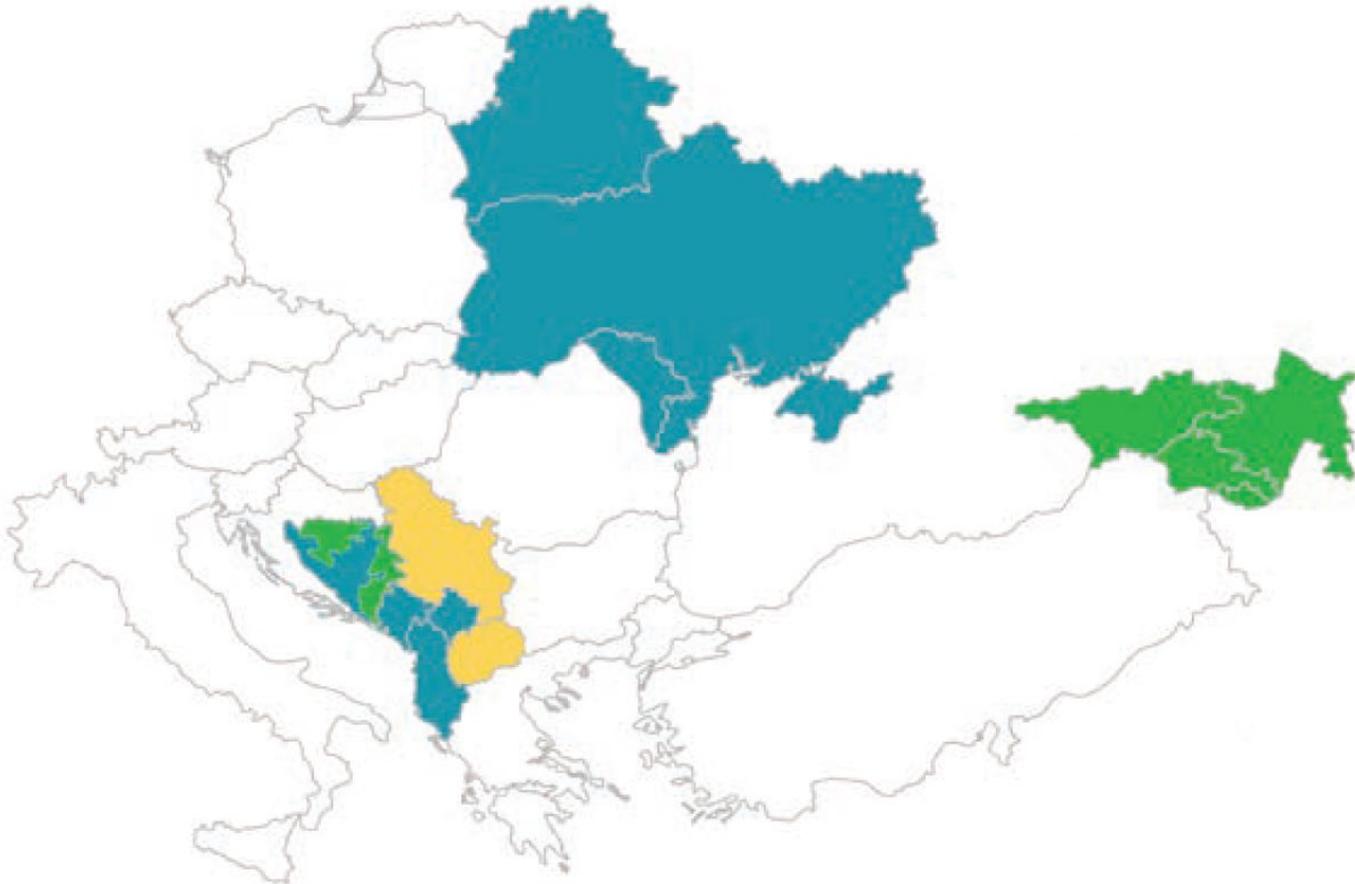
- ✓ Each country is presented with a different set of opportunities and challenges
 - All countries are progressing towards accrual accounting and IPSAS implementation at a different speed

- ✓ Implementing IPSAS is central to all reform endeavors
 - Both direct and indirect approaches to IPSAS adoption are taken
 - jurisdiction are at different stages in the adoption process

PSA reforms implementation status



- ✓ The region is moving towards accrual accounting practice:



29% **Accrual**

Armenia, Azerbaijan, Georgia, Republika Srpska

57% **Partial Accrual**

Albania, Belarus, Bosnia and Herzegovina, Federation of B&H, Moldova, Montenegro, Republic of Kosovo, Ukraine

14% **Cash**

North Macedonia, Serbia

PSA reforms implementation status



21% Planned adoption

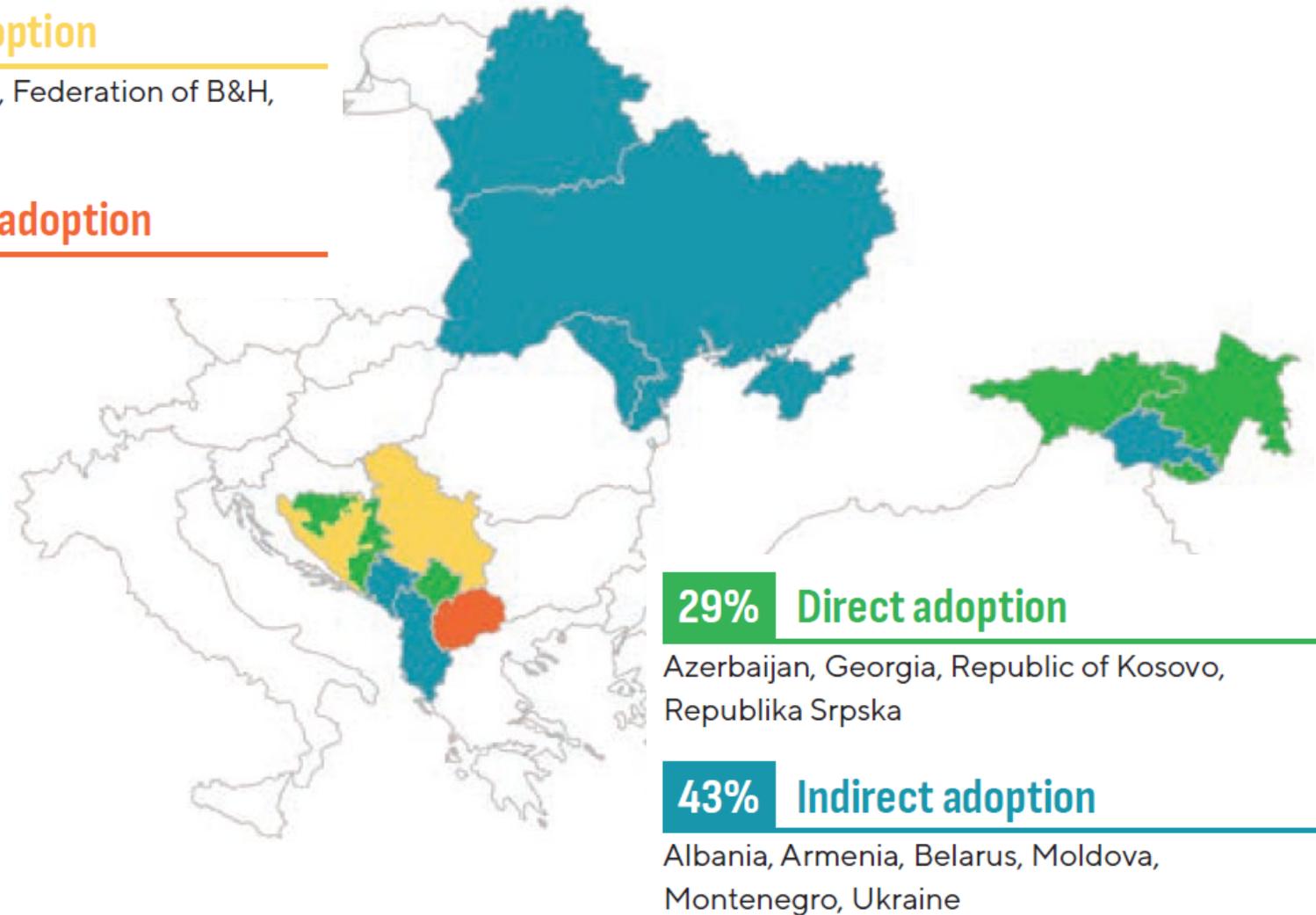
Bosnia and Herzegovina, Federation of B&H,
Serbia

7% No planned adoption

North Macedonia

✓ Two stages of IPSAS adoption:

- Early stage: countries with (no) planned adoption (red & yellow)
- Advanced stage: countries with direct or indirect adoption (blue & green)



Main challenges



- ✓ The use of either the direct or indirect method presents different challenges:
 - Countries adopting IPSAS indirectly, i.e., through national standards, generally face an early challenge in the development of those national standards but tend to find their implementation easier.
 - In contrast, countries adopting IPSAS directly find it relatively easy to adopt IPSAS, but challenges are more likely at later stages, i.e., when the standards have to be implemented.
- ✓ In both scenarios, the new standards require a sound legal basis, which, in some cases, needs to be created and in others, at least, updated.

Main challenges



1. Need for capacity building and staff training
2. Need for technical assistance
3. Lack of effective program management
4. Lack of adequate IT infrastructure
5. High cost of reform implementation
6. Conflicts between international standards and local legislation and context
7. Limited availability of financial data
8. Institutional resistance



Lessons learned and recommendations



1. Political support and willingness of the key stakeholders to initiate and carry out the reform should be secured and maintained.
2. Reform strategy and feasible implementation timeline should be developed and agreed on.
3. Proper reform coordination and management arrangements should be established.
4. Financial and human resources required for the reform should be secured.
5. Legal and regulatory frameworks should be timely updated.



Lessons learned and recommendations



1. Structure of the new PSA system should be defined.
2. Risk management and mitigation mechanisms should be identified and established.
3. Change management and capacity building strategy should be timely developed and implemented.
4. Integration between different PFM functions and upgrading the existing or development of a new IFMIS should be assessed and carried out.
5. Reform monitoring and evaluation arrangements should be established.



Next steps



- ✓ The differences in the current reform status of each jurisdiction directly affect the next steps that each jurisdiction could take.
- ✓ The PULSE assessment methodology would help to identify the current status of the reforms as well as the main areas for improvement.
- ✓ The best way to deal with the challenges identified is through development and preservation of the following four sets of capacities:
 - Political capacity
 - Institutional capacity
 - Technical capacity
 - Human capacity
- ✓ Addressing, developing, and maintaining all four sets of capacities will build a strong foundation, allowing not only for continuation in the reform process but also to sustain reform progress and outcomes





Thank you!



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