



**FEE Public Sector Roundtable
Brussels, 15 June 2016**

**Sovereign debt crisis:
How can accounting be (part of) the solution?
How can EPSAS help?**

Alexandre Makaronidis, Head of Task Force EPSAS, Eurostat

Sovereign debt crisis

"The global financial crisis raised awareness that sovereign governments and businesses use the same financial markets to issue the same or similar kinds of competing debt instruments.

The huge volume of government securities that is traded on financial markets around the globe is not always grasped.

We have also learnt in recent years that government securities are no longer perceived as close to risk-free.

The financial information being reported was insufficient to make a fair assessment of risk, in particular of the financial obligations a government had entered into.

How can accounting be (part of) the solution?

The crisis underlined the importance of public sector accounting standards for financial sustainability and the efficient operation of financial markets.

...

Returning to the financial crisis and the importance of government securities, it is my view that asymmetric reporting requirements for the public and private sectors, one less rigorous than the other, will be even more difficult to justify.

How can accounting be (part of) the solution?

"Further, there should be no unjustifiable or illegitimate differences between private sector and public sector accounting standards.

The key for achieving global convergence between the relevant accounting and reporting frameworks that are currently in place is to recognise this."¹

Alexandre Makaronidis, "The importance of public sector accounting standards" in: Europe's future in global markets -- Views marking ICAEW's first 20 years in Brussels, © ICAEW 2014, 09/2014, p. 42

How can EPSAS help?

By providing:

- more fiscal **transparency** on a **comparable** basis
- more efficient **public administration**
- more effective **budgetary control**
- more **accountability** of public money managers
- more **stable and sustainable public finances** – inter-generation fairness
- better **access to capital markets**

Do we need the full set of standards?

Considerations:

Technically feasible? Complete? Effective and efficient (transparency + comparability)? Suitable/ acceptable? Worth?

Do nothing

Implement (just) accruals accounting (no link to IPSAS)

Implement accruals accounting with common high-level accounting principles (EPSAP)

Do we need the full set of standards?

Full IPSAS implementation

Partial IPSAS implementation (e.g. a common core)

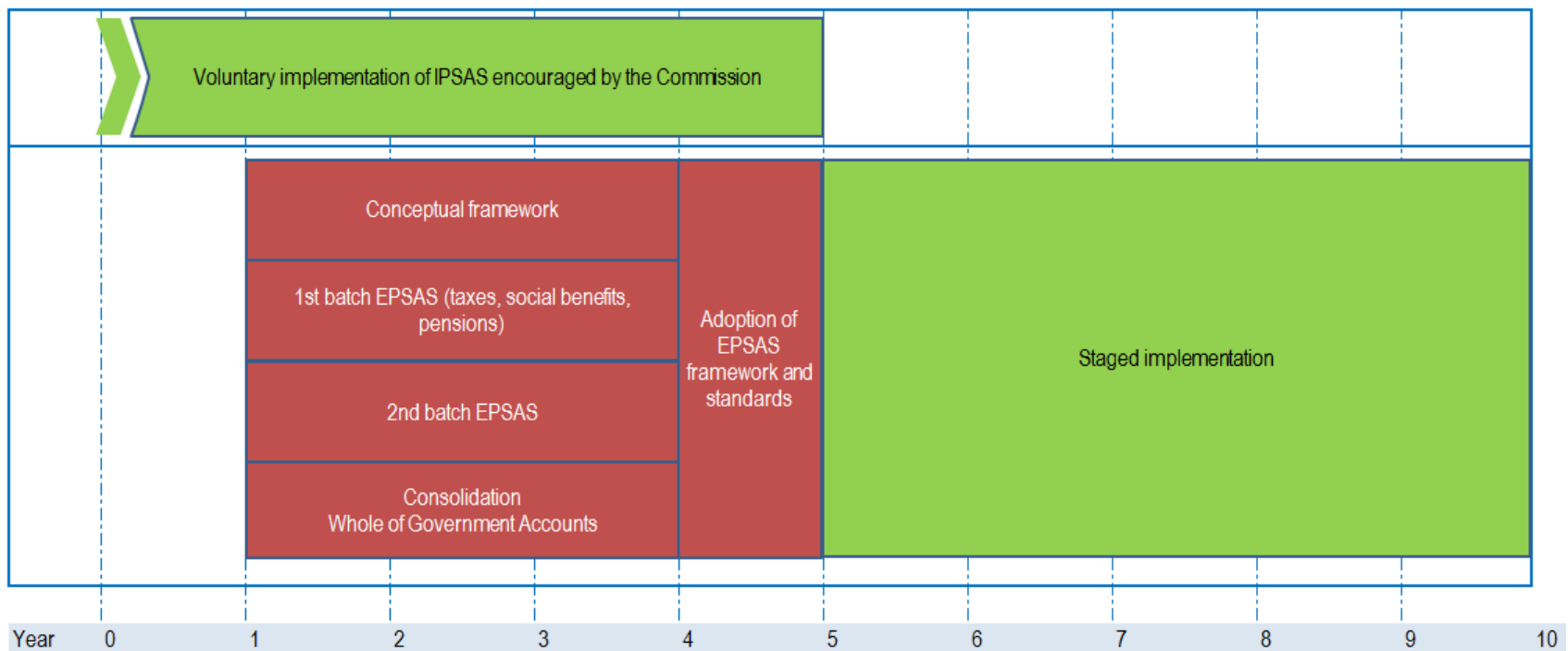
Support IPSAS


Non-binding European standards


European standards – no link to IPSAS

EPSAS – IPSAS as a reference.

Increasing fiscal transparency first, comparability later



 Development and legal endorsement

 Implementation

The EPSAS framework

The EPSAS framework should comprise:

- **Principles** underlying governance
- Governance **mechanism**
- **Due process**
- Standard-setting **capacity**
- **IPSAS** as first reference base

How can EPSAS be implemented?

EPSAS will have to:

- be implemented over a **medium-term** perspective
- be a **gradual, stepwise process** – taking into account the existing accounting maturity, of those entities booking on a cash basis only
- have an initial focus on **public-sector-accounting-specific** issues
- represent **no step back** for the most advanced accounting systems
- take into account **materiality** considerations – relief for small and less risky entities, e.g. at local government level

European Commission (Eurostat) Task Force EPSAS:

<http://ec.europa.eu/eurostat/web/government-finance-statistics/government-accounting>