

A thick, orange diagonal line that starts from the left edge and points towards the top right, ending near the first line of the title.

***Slowly but surely....making better
Public Financial Management
happen***

Steve Freer
Chief Executive

CIPFA European Annual Seminar
17 January 2013

Regulators

Governments

Bankers

Are the lessons of the global crisis being learned?

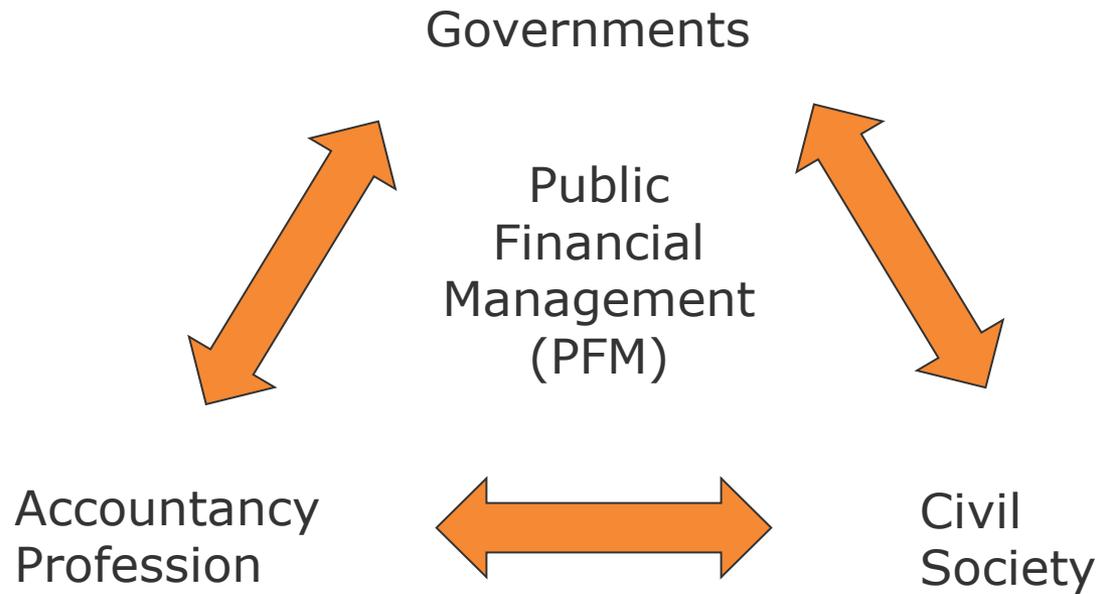
Corporate
Boards

Business
Leaders

Auditors

Rating
Agencies

Civil
Society



A prospectus

\ fixing the foundations

Achieving a global
step-change in financial
management in governments



PFM matters because

- Weak public financial management impacts on service delivery outcomes, living standards and life chances
- It adversely affects investor confidence, economic performance, business development and global growth
- It has significant implications for equity, accountability and trust and confidence in government

All aspects of PFM need to be strengthened including:

- Resource allocation and budgeting
- Management accounting
- Financial controls
- Financial reporting
- Internal auditing
- External auditing

Are we learning these lessons and acting to deliver a step-change in PFM?

- Action by individual Governments
- Action by Professional Accountancy Organisations
- Action by African Finance Ministries
- New analysis and thinking from the IMF
- Action by IFAC and IPSASB
- Eurostat Review – potentially a tipping point?

Draft Declaration on Good Financial Governance in Africa

Core principles

- Transparency
- Accountability
- Institution building
- Results orientation
- Balancing reforms and capacity
- Autonomy in reforms choices

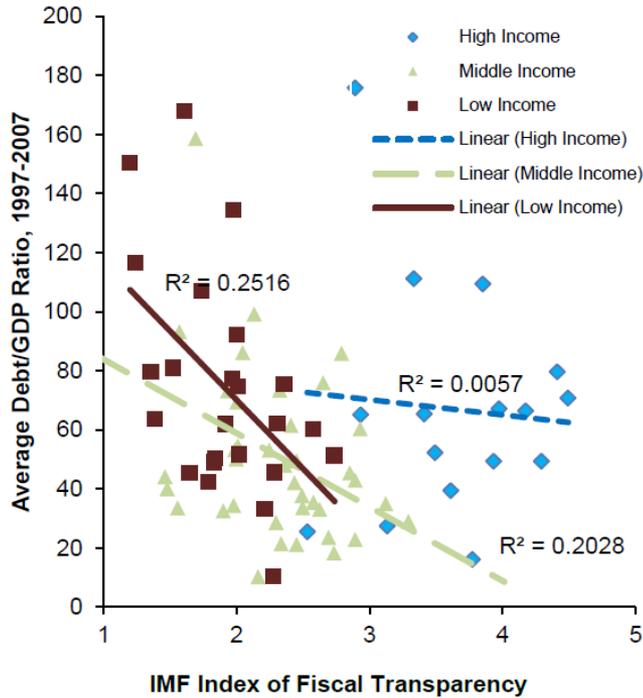
A framework to be adopted by all Finance Ministries across Africa, potentially supported by a better organised profession in Africa.

IMF Report on Fiscal Transparency, Accountability and Risk

- Analysis of the nature and scale of fiscal shocks during the crisis
- Emergence of the components of a business case for PFM improvement

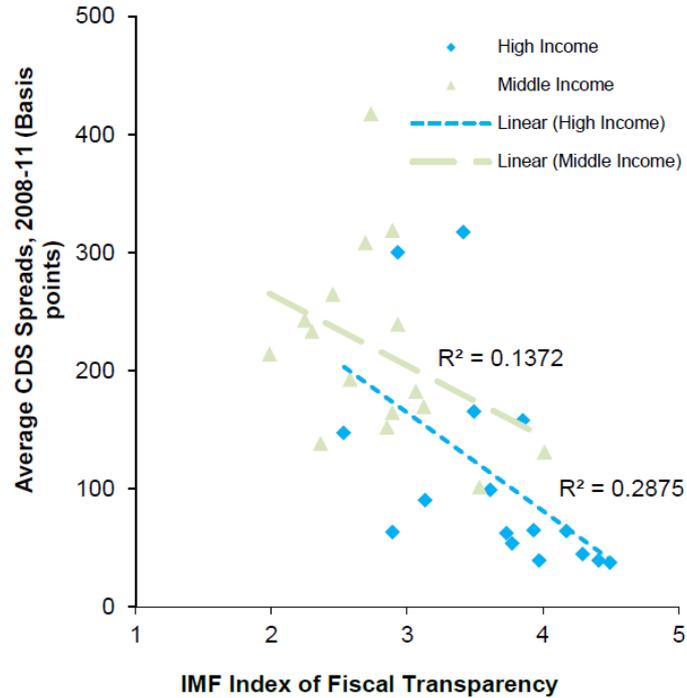
Figure 1. Fiscal Transparency and CDS Spreads^{1/}

a. Fiscal Transparency & Government Debt



Sources: World Economic Outlook (Debt to GDP);
Staff estimates (Fiscal Transparency Index).^{1/}

b. Fiscal Transparency & CDS Spreads



Source: Markit Five Year CDS (credit default swap)
Note: Four outliers with very high average CDS spreads
(Argentina, Greece, Pakistan, and Ukraine) are excluded.

^{1/} Fiscal Transparency Index is based on data from two sources: fiscal ROSC reports (see Hameed, 2005) and Dabla-Norris and others (2010). See Weber (2012) for an explanation of how it is constructed.

IPSASB

- Developing its own Conceptual Framework
- Striving with IFAC to establish a formal public oversight mechanism

Eurostat Review

- Support for accruals
- Need for consistent international standards
- IPSAS – an indisputable reference framework for potential EU harmonised accrual-based public sector accounts (“EPSAS”)
- Need to ensure a minimum level of global comparability

In conclusion....

- Evidence that lessons are being carefully considered and acted upon
- Momentum is positive but not necessarily irresistible
- Timescales are long and implementation risks are significant
- The Eurostat Review provides an opportunity for Europe to show leadership and to help create a real global paradigm shift