GETTING ADDED VALUE
OUT OF ACCRUAL REFORMS

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Luxembourg, 22 November 2017
Overview of OECD upcoming study

• **Objective**: identifying practical outcomes/benefits of moving to accrual accounting or accrual budgeting.

• **Approach**: surveys and interviews with 10 OECD member countries.

• **Three areas explored**:
  – Transparency on the state of public finances
  – Accountability over fiscal policy and use of public resources
  – Improvements to resource and performance management
• Accrual reforms obliged governments to monitor and report a wider range of operations and financial transactions, even though perception of government openness may be limited due to initial qualifications on financial statements.

• Accrual reforms have not generated dramatic changes to fiscal analysis, but improved notably the quality of fiscal forecasts and risk analysis (e.g. balance sheet stress test).

• Accrual reforms pushed governments to innovate in carrying out their financial communication.
Governments are reluctant to move away from conventional statistics-based fiscal head line measures (namely, fiscal balance and gross debt), consequently accrual accounts are not used by parliaments to assess whether governments have met their fiscal objectives.

Accrual reforms did not have any significant impact on budgetary decision making (appropriations and policy costing) ...

.... But recent parliamentary questions and inquiries illustrate the increased level of scrutiny on public finances permitted by accrual reforms.
Accrual reforms have had some positive impact on performance evaluation with a number of countries ii) doing pilot exercises with cost accounting and ii) using accrual-based framework for determining charges for government services.

A major outcome of accrual reforms is improvements to management of assets and liabilities, e.g.:
  – Better identification and measurement of liabilities;
  – Better stewardship of physical assets;
  – “Balance sheet” monitoring and analysis.
OECD study will identify success factors for accrual reforms.

Already, case studies show that:

– Governments and finance ministries should not expect benefits from their accruals reforms if they just work on “the transition to accruals”: they must actively plan for management and policy outcomes after the transition;

– Outcomes are more likely to realise over the medium term, when primary technical and operational challenges associated with accrual reforms have been overcome.
Thank for your attention.

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