



Government finance statistics and financial accounting: strangers or brothers?

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Brothers in a large family

- *Accruals principle is a common denominator for GFS and financial accounting*
- *Fit respectively into national accounts and accounting framework*
- *Provide a complementary view on the state of public finances, with positive spillovers between the two*
- *There are more brothers and sisters in that family...*



A bit of history: evolution of the Stability and Growth Pact before 2011

- *Maastricht Treaty signed in 1992 and set 3% deficit and 60% debt thresholds for excessive deficit (protocol 12)*
 - Ratios based on **nominal values as defined in national accounts**
- *Secondary legislation (preventive and corrective arm) adopted in 1997*
 - **Preventive arm: close to balance or in surplus**
- *2005 reform of the SGP:*
 - **Country-specific objective in structural terms (preventive arm)**
 - **Concept of effective action and adverse economic circumstances (corrective arm)**





2011 reform of the Stability and Growth Pact (1)

- *"Second pillar" added to the preventive arm*
 - **Expenditure benchmark (checks evolution of expenditure)**
- *Corrective arm strengthened*
 - **Debt reduction benchmark operationalised**
- *Enforcement mechanism*
 - **Sanctions for euro area MSs**





2011 reform of the Stability and Growth Pact (2)

- *Directive 2011/85/EU on budgetary frameworks*
 - Requirements for systems of **public accounting** (article 3(1))
 - Commission to assess **suitability of IPSAS** (article 16(3))
 - Publication of information on **tax expenditure** and **contingent liabilities** (articles 14(2) and (3))
 - Publication of **cash-based data** and **reconciliation tables** (article 3(2))
- *Further SGP reform in 2013*
 - **Enhanced monitoring for EA Member States**





What lies behind this history?

- *Government finance (EDP) statistics remain a cornerstone of fiscal surveillance*
 - **Treaty-based**
 - **Practical: forecast is done for the whole economy using national accounts concepts**
- *However, nominal national accounts indicators **are not sufficient to get the full picture** of the state of public finances*
- *Reliability of government finance statistics requires that **infrastructure to ensure quality of data** is in place*





The benefits of EPSAS project

- *Reinforces the accrual principle*
- *Provides an alternative view on public finances*
- *Strengthens micro-level accounting for the benefit of macro data*
 - **Reliability of data**
- *Can improve timeliness of data*
- *Improves transparency and comparability of input data*
 - **Facilitates control**
- *Facilitates better decision-making through:*
 - **Long-term view**
 - **Better overview of assets and liabilities**
 - **Improved financial and accounting literacy**





Thank you!

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http://ec.europa.eu/economy_finance/index_en.htm

