

2024 Regional Public Sector Accounting Forum

Opening Remarks by Roberta Casali

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Distinguished speakers and esteemed participants, a very good morning to all.

On behalf of the Asian Development Bank (ADB), I warmly welcome you to the 2024 Regional Public Sector Accounting Forum. I'd like to thank all participants, speakers, and members of the International Public Sector Accounting Standard Board (IPSASB) for coming to share your expertise and experiences.

Since 2013, ADB has hosted regional forums on public sector accounting. This year, we are delighted to have around 45 participants from 19 countries.

Over the next two days, we will contribute to development of the international public sector accounting standards; learn about current developments in accounting standards and best practices; discuss the exposure drafts to be released in late October; and consider ways to integrate public sector climate actions into high-quality climate-related reporting to enhance transparency and accountability of public sector.

This year's forum will capitalize on the positive feedback from the past forums as well as requests and support we continue to receive to promote knowledge sharing and networking across the region. I am confident this forum will continue to inspire further collaborations among ADB and our members.

At this point, I would like to highlight three important issues to set the scene.

First: accrual accounting adoption is key for transparent public financial management

The shift from cash-based to accrual accounting represents more than just a technical adjustment; it signifies a profound transformation in the way public sector entities manage their resources, enhance transparency, and bolster accountability. Accrual accounting enables them to present a more comprehensive picture of their financial status and performance, thereby improving decision-making and fostering trust among stakeholders.

Given the rapid pace of change and the magnitude of public sector expenditures, governments in the Asia and Pacific region must clearly demonstrate their financial stability and commitment to a more rigorous and transparent reporting of fiscal data. We believe that employing accrual basis accounting can significantly benefit governments thereby strengthening sustainable economic development and prosperity in the region.

Several of ADB's developing member countries, or DMCs, have made significant progress in adopting and implementing accrual basis accounting in recent years. For example, we note the substantial advancements in IPSAS-based accounting implementation by the governments of Cambodia, Indonesia, Malaysia, and the Philippines, among others.

We understand that adopting an accrual-basis accounting framework is a demanding and lengthy process. It requires sustained effort over several years to overcome challenges and achieve a successful transition. ADB will continue to support the development of robust accounting frameworks in DMCs by providing opportunities for collaboration and knowledge sharing on best practices. We look forward to collaborating with you in this endeavor to strengthen public sector accounting and financial management in the region.

Second, the importance of climate change disclosures in public sector entities

Climate change is one of the most pressing issues of our time, affecting every corner of the globe. The Asia and Pacific region, home to over half of the world's population and numerous biodiversity hotspots, is a major contributor to global greenhouse gas emissions. This region faces significant annual losses due to extreme weather, disproportionately affecting vulnerable populations. Governments and public institutions are responsible for creating and implementing policies that can mitigate the effects of climate change and promote sustainable practices. These include regulations on emissions, incentives for renewable energy, and investments in infrastructure that can withstand climate impacts. Given their significant role, it is imperative for public sector entities to demonstrate leadership in sustainability reporting, serving as role models for corporates and the broader society.

There are several critical points on why the public sector must take the lead in climate-related reporting and disclosure:

- **Public Interest and Accountability:** Public sector entities are accountable to a broad range of stakeholders, including citizens, policymakers, and investors. Providing climate-related information enhances transparency and accountability, helping stakeholders make informed decisions, and drive positive change.
- **Regulatory Role:** Public sector entities often have a regulatory role in environmental policy. They are responsible for implementing and enforcing regulations that address climate change and sustainability issues.

- **Long-term Perspective:** Public sector programs and decisions often have long-term impacts. Climate-related reporting helps in understanding and managing these long-term risks and opportunities, ensuring sustainable development.
- **Resource Management:** Governments control significant natural resources and infrastructure. Effective climate-related reporting ensures better management and preservation of these resources.
- **Global Standards and Leadership:** Public sector entities can set an example by adopting and promoting global sustainability standards, such as, the public sector climate-related reporting and disclosure standards by IPSASB.

This forum is particularly timely as the IPSAS Board just approved two important Exposure Drafts: one is a proposed standard on climate-related disclosures for the public sector and another is on accounting for natural resources. Both Exposure Drafts will be published for a 4-month public consultation starting in late October. This forum builds on that momentum by bringing together leaders from governments, experts from professional institutions, and other stakeholders to explore reporting and disclosure of climate priorities for public sector entities. The project to enhance public sector reporting and disclosure in this area will not only support sustainable development, but also align public sector's practices with global climate commitments.

Third, ADB's role in addressing climate change.

ADB stands at a similar junction as the bank that has been progressing toward climate-related reporting in alignment with the international standards since 2022, with the publication of our first Task Force on Climate Related Financial Disclosures report. At the 2023 United Nations Climate Change Conference (COP28) in Dubai, Multilateral Development Banks (MDBs) made several commitments, two of which are: MDBs will develop a common approach for reporting climate results, and MDBs will continue to align their activities with the Paris Agreement goals.

Being at the forefront of climate-related disclosures is crucial for ADB as being the Asia and Pacific's climate bank.

As you may know, ADB is adopting new, bold, and innovative strategies to help our developing member countries combat this challenge.

Early last month, we concluded our Strategy 2030 Midterm review – an update of our corporate strategy. This sharpens our strategic focus and sets new targets in five of the region's most pressing development issues: climate action, private sector development, regional cooperation and public goods, digital transformation, and resilience and empowerment.

We remain committed to reaching more than \$100 billion in cumulative climate finance from 2019 to 2030.

These actions build on our ongoing effort to boost our lending capacity and efficiency, responding to stakeholders' demand, including from the G20 leaders, for multilateral development bank to be bolder, bigger and better.

For example, last year ADB approved capital management reforms, unlocking \$100 billion in new funding over the next decade. This increases the bank's annual commitment capacity by 40% to over \$36 billion.

In closing, I would like to encourage everyone to explore all options to support efforts to address climate change in your area through better disclosure and transparency. Now is the moment to take decisive action and leadership.

Thank you for your attention. I hope you have engaging discussions, curious inquiries, and fruitful knowledge-sharing sessions. I look forward to our bilateral interactions over the next two days.