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Italian Public Sector Accounting Reform: A Step Towards European Public Sector Accounting Harmonisation

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Abstract: This paper discusses post-New Public Management (NPM) approaches to current patterns of public management reforms as a path-dependent phenomenon and as proposing corrective solutions to unintended shortcomings of NPM-inspired reforms. Public sector accounting reforms are seen as developing coherently with general public managerial reforms, and as showing a shift in the prioritised purposes assigned to public accounts in line with the overall design of projected reform-making. EU public sector accounting harmonisation is interpreted in this framework, and the Italian experience of public sector accounting reform is discussed in the light of EU membership. Particular emphasis is given to the likely overlap between national and government accounting due to increasingly shared purposes, whereby the former acquires a functional supportive role to the latter. Considerations on the drivers, as well as on the technical solutions of the new Italian public sector accounting system, suggest that Italian public sector accounting has taken a step in the direction of European public sector accounting harmonisation. Finally, the Italian case provides evidence of post-NPM-like accounting reform, contributing to the scanty empirical research on this topic.

Keywords: accounting regulation, economy, society

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Accounting for the European Public Sector: Roundtable on the Ongoing Reform of European Public Sector Accounting Standards (EPSAS)

1. "Harmonising European Public Sector Accounting Standards (EPSAS): Issues and Perspectives" by Yuri Biondi, <https://doi.org/10.1515/ael-2017-0014>
2. "France Supports Accrual Accounting For The Public Sector" by Marie-Pierre Calmel, <https://doi.org/10.1515/ael-2017-0019>
3. "Challenges for European Public Sector Accounting" by David Heald, <https://doi.org/10.1515/ael-2017-0021>
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5. "European Public Sector Accounting Standards (EPSAS)" by Alexandre Makaronidis, <https://doi.org/10.1515/ael-2017-0008>
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1 Introduction

Closely linked to the transparency of government taxation and expenditure, public finance is a major constitutional question in all modern democracies, regardless of the role it plays in fiscal policy or the effects it has on government daily management (Pallot, 1991). Indeed, departing from the traditionally prevailing budgeting function of public sector accounting, public managerial reforms have emphasised additional and different functions that public sector accounting may fulfil.

The varying emphasis on a given aspect and function of public sector accounting must be read in the light of the supportive role it plays with respect to the overall reform-making design (Caperchione, 2000; Guthrie, Olson, & Humphrey, 1999). Indeed, since a body's accounting system depends on the reasons why accounts are held, it is logical to conclude that every public management reform and shift in public policies should be accompanied by a similar change in the accounting system. Decoupling the two would not only undermine the supportive role of public sector accounting to public management, but would also prevent the implementation and realisation of the expected outcome of a given reform (Christensen, 2012).

In the scope of New Public Management-like reforms, public sector accounting has been invested with a purpose in addition to those typically recognised, which conceives it as a support for decision-making by public managers (Paulsson, 2012). However, the unexpected consequences of competition and fragmentation of public policies and service delivery (Cepiku & Meneguzzo, 2011) have been particularly emphasised by the sovereign debt crisis since 2007.

In reaction to the crisis and to address the unintended effects of New Public Management (NPM), recent reforms are increasingly inspired by what is referred to as post-NPM approaches. Compliant to the projected aims of reforms flourishing in the scope of the latter, public sector accounting is increasingly taking an instrumental role towards macroeconomic policy. To the extent that economic policy is a concern shared within formalised and binding international relationships, as in the case of the European Union, not only must it be considered a fundamental driver, but each national reform design can also be assessed according to the repercussions it can have on those relationships.

This paper aims to discuss the role of public sector accounting in the scope of post-NPM approaches to reforms, particularly emphasising the relationship that government and national accounting entertain in this paradigmatic framework. Arguments and reflections on the topic are drawn from Italian experience of public sector accounting harmonisation, analysed in the light of its EU membership and interpreted as a step towards future European public sector accounting harmonisation. A further aim is to contribute to the scanty empirical literature on post-NPM approaches.

The paper is organised as follows. Section 2 describes post-NPM approaches, explaining the reasons why they occur and their features. Section 3 focuses on the design of public sector accounting reforms, emphasizing the shift in concern from one public managerial paradigm to others. Section 4 discusses Italian experience of public sector accounting harmonisation in the compass of post-NPM trends, highlighting the macroeconomic drivers of its design. Section 5 offers concluding remarks.

2 Post-NPM approaches

The idea of resorting to managerial logic and instruments to tackle the issue of efficiency in the public sector has not been a novelty since the beginning of the twentieth century. However, efforts in this direction have not been as overwhelming as those widely implemented since the 1980s, inspired by the managerial paradigm notoriously labelled as New Public Management.

Formulation of the NPM paradigm was driven by an attempt to make public administrations responsible for the results achieved with the resources they employ, to reduce public expenditure and debt, and to review the quality and quantity of services provided to citizens. NPM-like reforms therefore entailed three main areas, namely institutional rearrangement of relationships between public administrations and between them and other social and economic actors, reduction of public involvement in direct production of services and goods, and

introduction of organisational and managerial models imported from the business world (Barzelay, 2001; Hood, 1995).

Although the NPM recipe has gained worldwide favour, the reforms it inspired have not only been rather heterogeneous in their practical implementation (Borins, 2002; Kickert, 1997) but have also proved to produce effects very different from those intended (Pollitt & Bouckaert, 2004). Prioritisation of the individual dimension at the expense of the community one, unbalanced short-termism, hyperspecialisation of organisational units, proliferation of expenditure centres, and fragmentation of public service delivery are the main grounds for criticism of NPM, particularly the loss of a single, easily coordinated public machine (Boston & Eichbaum, 2005; Flynn, 2002; Hood, 2002; Hood & Lodge, 2006).

While this mood of dissatisfaction with NPM's limitations engendered a loss of favour, the sovereign debt crisis since 2007 has provided decisive evidence that public expenditure cannot effectively be controlled and that external shocks cannot feasibly be resisted. Not least, complex problems such as terrorism, enemies, social inclusion and natural disasters also challenge a disarticulated and non-unitary public sector (Christensen & Lægreid, 2007).

Post-NPM approaches are developing both as a path-dependent phenomenon and as a reaction to NPM, without this cancelling what was previously implemented (Kickert, 2007). Reforms under this umbrella clearly go in the direction of regaining control and coordination (Halligan, 2010; Lodge & Gill, 2011), and of attempting to strengthen cooperation and collaboration, whether through centralisation (Christensen & Lægreid, 2008), coordination within networks of actors (Agranoff, 2007; Stoker, 2006), or using digital technology (Margetts & Dunleavy, 2013).

The tricky contingencies affecting the public sector reflect the need for improved central capacity and control as a focused strategy to integrate, coordinate and give coherence to major public policies, especially in key political areas (Gregory, 2003; Halligan, 2006; Mulgan, 2005). This cannot be conceived as a return to the Weberian hierarchy because the horizontal dimension takes precedence for policy areas that cut across boundaries (Christensen, 2012). That is to say, the fragmentation caused by NPM-like reforms has led to reconstruction of the role of central governments not as strict rule-makers, but rather as leaders coordinating the implementation of policies in a collaborative effort with other governmental tiers.

Clearly, such efforts are supported by a cultural orientation that breaks with NPM precepts, being overtly willing to regain a unitary basket of shared values (Ling, 2002). Moreover, there is attention to soften the managerial concept of democracy, first elaborated to empower civil servants and improve service, but eventually found to undermine civic responsibility, engagement and political equality (Christensen & Lægreid, 2011).

The post-NPM label broadly refers to the overall reforms developing from unsuccessful implementation of its paradigmatic predecessor, but two more specific approaches have been identified in the literature to refer to the reform-making paths inspired by the explained drivers, and articulated around the elements discussed so far. First, the grip-back approach, which refers to re-centralisation of managerial functions, and is more common in countries that joined the NPM group later or only partially, and that had more trouble reacting to the crisis (Anessi-Pessina & Cantù, 2006; Cepiku, 2006). The second approach regards Joined-up Government (JUG) or Whole of Government (WoG), focused on improving coordination between different public sector organisations, without removing the boundaries between them (Christensen & Lægreid, 2006). Unlike the former, this second approach has been favoured by countries that more faithfully adopted the NPM paradigm, *i. e.* Anglo-Saxon countries (Chow, Humphrey, & Moll, 2007; Christensen & Lagreid, 2007; Pollitt & Talbot, 2003).

The fact that multiple approaches can be identified and connected to the patterns of the previously implemented reforms within the broader post-NPM paradigm emphasises the continuity of post-NPM with its NPM predecessor. Reforms developing in the scope of the former not only arise to correct the shortcomings of previous reforms, but are also logically dependent on the degree and nuance of its implementation. Thus, the heterogeneous spread of NPM – regarding both the content and timing of adoption of its principles – is likely to be reproduced by last-generation reforms.

3 Public sector accounting purposes in reform design

Public sector accounting is a matter of constitutional importance in all democracies, in view of its relevance for transparency of government and taxation (Pallot, 1991). While this is why it exists, public sector accounting may play a variable role in defining fiscal policy and influencing government daily management. The primary purposes of government accounting are essentially three (Caperchione, 2000). First, its budget function, by which it enables citizens to know government taxation and expenditure, as well as relationships between governmental bodies. Traditionally less important, government accounting also fulfils two other purposes, namely periodical quantitative information regarding expenditure, public debt and investments, and regarding public expenditure, precisely with the aim of controlling it.

After all, the characteristics of a body's accounting system are determined by its purposes. This implies that every public managerial reform or shift in public policy should lead to a change in the accounting system. As a matter of fact, general NPM-like reforms in public management and specific reforms in financial management reinforce each other in such a way that one without the other does not bring any significant change (Guthrie et al., 1999). In this respect, the introduction of accrual accounting, despite problems in its adaptation to public sector specificities (Mautz, 1988), emerged as a self-evident route (Lapsley, Mussari, & Paulsson, 2009). While traditional cash accounting bases its *raison d'être* on the primary purposes of public sector accounting explained above, the NPM environment legitimises accrual accounting as enriching information with aspects hitherto in the background, but nevertheless essential to highlight managerial responsibilities for the use of public resources and achievement of predetermined objectives.

In other words, renewed emphasis on the need for economic and asset information is not merely ascribed to its private provenance, but rather complies with the *ratio* of public management reform of its time. Moreover, reforms in financial management, in particular budgeting, accounting and reporting systems, flourishing in a NPM environment, aimed to add a managerial purpose to the traditional purposes of public sector accounting, and were thus oriented to the micro level, where managers' performance can be assessed (Paulsson, 2012).

As a contemporary phenomenon encouraged by globalisation forces and institutionalisation of international relationships, accounting harmonisation is a further component at the heart of reform-making designs (Mussari, 2014). Clearly, the more policies are shared with international partners, the stronger the argument for harmonised accounting systems, which explains why the issue has become increasingly important in the European Union. Indeed, EU economic integration presumes that "public administration entities have to interact in a social-economic scene that crosses over the old national boundaries and leads to the free mobility of assets, persons and finance" (Jannelli & Tesone, 2013, p.116).

All this considered, two sets of observations on the outcome of NPM accounting reforms and related developments deserve attention. First of all, in line with the whole NPM-reform-making package, the financial management area, and thus the accounting area, have also experienced effects far beyond and in contrast with those forecast. The introduction of accrual accounting system, together with the corollary construction of decentralised profit-centres, has encouraged the achievement of short-term gains to generate budget surplus (Olson, Humphrey, & Guthrie, 2001). Moreover the same circumstance, boosting the need to create the impression of cost-effective performance, often led individual managers' goals to prevail over those of whole bodies (Nasi & Steccolini, 2008). Second, with regard

to harmonisation, although NPM recipes suggested similar ingredients, the latter have been mixed differently in the various countries whose reforms aspired to that paradigm, delivering extremely heterogeneous reform-making outcomes, especially considering that most country-specific reforms were designed but rarely implemented (Jones, Lande, Lüder, & Portal, 2013).

In accounting terms, the acritical introduction of business-like accounting techniques, which does not consider public sector specificities, is likely to generate misunderstandings in the meaning and interpretation of financial information – respectively for producers and users of those data- with considerable repercussions in terms of expenditure management and policy making (Newberry, 2014). After all, this is the main topic around which the international harmonisation debate has been built. The International Public Sector Accounting Standards (IPSAS), promoted by the IFAC, substantially incorporates a balance-sheet approach and fair value accounting, which instead contradicts with public sector specificities and information needs, eventually more properly addressed by an income statement approach (Oulasvirta, 2014). Indeed, the balance-sheet approach introduces representations of provisions inconsistent with the time process of expenditure, with fair value accounting sustaining volatility and procyclicality to adjust current value of outstanding debt positions, ultimately undermining the recognition and management of public debt itself (Biondi, 2016).

Therefore, for the criticalities just described, even the IPSAS model did not represent an appealing one for promoting public sector accounting international harmonisation. Furthermore, the heterogeneity of reforms outcomes has been reflected in a high fragmentation of accounting systems within and between countries. Yet the significant degree of local government autonomy and the lack of internal vertical coordination clearly worked as an additional obstacle to external harmonisation (Christiaens, Vanhee, Manes-Rossi, Aversano, & Van Cauwenberge, 2015). The severity of the Eurozone crisis has evidently stimulated the EU to revise its member state financial management and accounting systems, with the aim of improving accountability and increasing harmonisation (Aggestam et al., 2014; EC 2010). In light of the weaknesses underlined by the crisis, the reform focus has been on harmonisation of member state accounting systems in such a way as to indirectly improve the quality of macroeconomic accounting.¹ Public sector accounting harmonisation in the EU would entail better comparability and transparency of data,

¹ The need to improve the fiscal policy of the Union was acknowledged when Council Regulation no. 479/2009 of May 2009 was issued. The regulation aimed at strengthening the Commission's power to verify the statistical data used for the excessive deficit procedure (EDP) envisaged by the SGP.

enabling assessment of compliance with internal agreement requirements, such as the Maastricht Treaty and the Stability and Growth Pact. This concern has been particularly stressed by the crisis, which has shown the dangers connected with the lack of member state fiscal regulation and has emphasised the need to strengthen the pact (Baldwin & Wyplosz, 2012).

As a matter of fact, budgetary surveillance in the EU is accomplished by the European System of National and Regional Accounts, the latest version of which is dated 2010 (ESA 2010). This macroeconomic accounting framework quantitatively describes the economic activity of a country and its regions. It collects reliable updated information on the structure and developments of member state economies, thus helping to detect the structural and dynamic characteristics of the corresponding economic systems. ESA-based statistics result from a transformation of data provided by member states based on their national accounting standards. The problem highlighted by the recent sovereign debt crisis is therefore the underlying misalignment between the ESA 2010 system and the primary accounting data provided by each country; this undermines the possibility of assessing the size of national debt and deficits (Dasi, Montesinos, & Murgui, 2013).

Although the IPSAS set of standards was already available, its highlighted criticalities, as well as the shown inability of IFRSs –to which they are inspired– to control financial institutions debt, the European institutions finally preferred to formulate alternative European accounting standards (EPSAS) (Biondi, 2014). While such process is still ongoing, it anyway launched EU members a message to revise their accounting systems. In debating the suitability of member state standards for European public sector accounting standards, an issue has been the basis of accounting. In the report “Towards implementing harmonised accounting standards in Member States”, the EC (2013) reiterated the importance of widespread adoption of harmonised accrual accounting in EU countries. Since it provides information on assets, liabilities, revenue and expenses, the accrual basis of accounting was felt by the European Commission to be the most suitable for a reliable and complete picture of the financial and economic position and performance of governments. Without neglecting the role of cash accounting for budgeting and budget control, the European Commission clarified that the two bases of accounting should have been conceived as complementary rather than alternative. This implies that any national public sector accounting reform in that direction simultaneously takes a step towards a future feasible passage to the EPSAS. In the meantime, the information potential brought by nationally harmonised accounting systems that rely on both accounting bases already enables EU institutions to monitor members with respect to elements susceptible to budgetary surveillance and internal agreement requirements.

Having acknowledged the close link between general management and financial reforms, we expect current patterns of accounting reforms to support and develop in accordance with the post-NPM approaches discussed in the previous section. As long as the latter attempt to propose corrections to the unintended effects of NPM, as well as reactions to the severe financial and sovereign debt crisis by strengthening control on public finance and coordination of public policies, we can expect accounting reforms to align with those purposes.

Unlike the micro-level-grounded aims inspiring public sector accounting revisions in a NPM perspective, it is reasonable to claim that current accounting reforms are being designed and implemented in compliance with macroeconomic forces. Those forces are fundamentally driving the focus on monitoring and containing public expenditure and debt, figures dealt with by national accounting. As described above, control of public expenditure is among the purposes of public sector accounting, but not the traditionally prevailing one. Thus, although public debt and expenditure are information that can be obtained from government accounting, designing accounting reforms largely to increase the transparency and reliability of those figures may clearly leave the primary public sector accounting purpose in the background, while prioritising the other two that are shared with national accounting. This would lead us to conclude that, following the overall post-NPM approaches dictates, on the accounting side, an overlap between national and government accounting could be observed.

Nevertheless, at the time of writing, empirical evidence on the degree and shape of post-NPM reform implementation has still to be gathered. Section 4 considers Italian experience with public sector accounting reforms, a process that dates back to the 1990s, through which the evolution of the public managerial paradigm can be observed in shifting concerns over the purposes of public sector accounting. Moreover, traces of post-NPM can be detected if we focus on the recent accounting harmonisation that Italy is undergoing, and this provides elements to comment on accounting trends pursuant to this public managerial paradigm.

4 Post-NPM approaches in Italian public sector accounting harmonisation

In a world craving public sector reforms, Italy was not immune from NPM-like influences when that approach was meeting a recognizable level of appreciation. NPM principles practically inspired Italian trajectories of reforms from the beginning of the 1990s, when the country started to implement a first tranche in

three interconnected areas, namely organisation, finance and decision-making (Anessi Pessina, 2002).

The core project was to realise a gradual shift of powers and responsibilities from the central to the local levels of government (Mussari, 2005), on the way to a federal system of fiscal relations. Efforts were primarily made to introduce local taxes and, generally, to progressively reduce the amount of intergovernmental grants. On the financial management side, all these initiatives translate into a small slow move from input-oriented to output-oriented budget procedures and adoption of accruals reporting as a means to achieve more effective decision-making, so as to enhance control over public expenditure and increase transparency and external accountability.

Nevertheless, implementation of the reform has been ineffective, or produced unintended effects with respect to its inspiring principles. On one hand, the newly designed decentralised state turned to increased local government spending in order to manage its new functions, producing inefficiencies and unsustainable deficits (Mussari & Giordano, 2013). On the other hand, the central government maintained a top-down approach in decision-making, ultimately leaving a lack of vertical and horizontal coordination mechanisms.

Following NPM trends, forms of accrual accounting were partially introduced in the accounting systems of local government in 1995 and confirmed in 2000, with the main aim of enlarging the area of financial reporting, but they were not extended to other government levels (Regions and central government). Furthermore, accrual accounting was conceived in a supplementary role to mandatory cash accounting, so that local government could derive their statements of financial position and operating statements from their cash accounting through a complex system of end-year adjustments, disclosed in a reconciliation statement. This meant that the projected level of accrual implementation was not fully achieved and the expected benefits were not obtained.

Indeed, the repercussions of these reform initiatives have been an increase in public spending (REF), as well as the unreliability of accounting information for determining the financial position of local government and thus a general lack of information necessary to properly quantify local expenditure and debt, all of which have clearly undermined the accountability of all intergovernmental relationships.

The project to enhance local government responsibility for public spending and accountability at intergovernmental level has therefore not been abandoned. Law No. 42/2009 was a turning point for the Italian process of financial reforms. By means of this law the government delegated matters of fiscal federalism in order to increase local revenues and attenuate national disparities in terms of economic development, efficiency and effectiveness in service provision. In the same enactment, public sector accounting harmonisation was

claimed as a fundamental step to accomplish the fiscal federalism project. As a matter of fact, with looser fiscal relationships between central and local governments, not only did the traditional accounting system prove unable to fulfil the accountability aims between those two tiers of government, but it also differed in the way it was applied within and between local authorities.

Accounting harmonisation was so great a need that it gained constitutional attention: first addressed in the 2001 constitutional reform, it was then reviewed in 2012, when the central government was given competence on this issue. Constitutional attention to public sector accounting harmonisation was due to its importance in connection with the public finance system and the fiscal structure of the country. Public administration financial documents are deemed an instrument through which to define, communicate, implement and control the economic policy of the country as a whole. Thanks to harmonised ways of determining and representing public administration financial information, government can pursue and control the necessary financial equilibria.

Clearly the Great Recession and EU membership played a role in accelerating the Italian process of public sector accounting reform-making. Among countries whose public finance has been most severely hit by the crisis, the EU requirements in the matter of budgetary surveillance have been decisive in this respect. Indeed, as explicitly stated by Arconet (the public sector accounting harmonisation Commission of the Ministry for Economics and Finance), the accounting harmonisation objectives for the Italian public sector are:

- allowing control of national accounts (protecting national public finance);
- verifying compliance of public accounts with the conditions of Article 104 of the EU constitutive Treaty;
- favouring implementation of fiscal federalism.

This suggests that public finance management is also interpreted as an accounting matter, so that solutions should primarily be sought in a new public sector accounting system without the shortcomings of the previous system (Bruno, 2014).

Since the Parliament has delegated the Government, by Law n. 42/2009 and its modifications, in matter of accounting harmonisation, it is a legislative decree (n.118/2011) to represent the fundamental enactment for the accounting harmonisation of Regions and Local Governments, which, after a 3 years-period of experimentation, have been called to adopt the newly ideated accounting system since 2015 fiscal year. The main practical solutions proposed in the reforms can be summarised as follows:

- transition to a modified cash accounting basis, to which an accrual system plays a supportive and informative role;

- 3-year budgets;
- harmonised accounting system, achieved through common accounting schemes and rules, consolidated financial statements, and an integrated chart of accounts (*Piano dei conti integrato*)

The benefits expected from the overall accounting reform package are therefore associated with revision of the accounting basis used in the system and harmonisation efforts. As regards the former, keeping cash accounting as the principal basis and including accrual with a supportive role enlarges the informative power of financial documents, enables proper assessment and modulation of public body obligations, and reduces the leeway for the widespread opportunistic behaviour allowed by the pre-existing accounting system. Thanks to harmonised rules and schemes of presentation of financial information at all government levels, such assessments can be reliably extended to the whole Italian public administration sector, providing an overall picture of its financial situation. These are key steps for formulating coherent and unitary policies.

5 Conclusion

Without deleting the results and path defined by public management reforms designed in the NPM paradigm, post-NPM approaches are suggesting new patterns of reforms that are path-dependent and corrective solutions to unintended shortcomings of NPM. Typical post-NPM traits include an attempt to regain policy coordination among different types of public administrations at different government levels, mainly through re-centralisation of core functions and collaborative network effort.

Accounting reforms, as part of the financial management reforms, develop accordingly, *i. e.* supporting the overall public managerial reform-making design and its policy shifts. In this respect, the NPM paradigm promoted an additional concern regarding the managerial and micro-economic significance of public administration accounting, besides its traditional budgeting function. When these observations are put in a post-NPM perspective, it seems that the main purpose of public sector accounting is to deliver proper information on public sector expenditure and debt as a means to monitor these aspects of public finance and enable formulation of macroeconomic policy. As long as this latter trend continues, it implies that recent patterns of reforms in the accounting field find their meaning in a macroeconomic perspective and are likely to create overlap between national and government accounting.

The Italian experience of public sector accounting reform-making of recent decades provides some relevant observations regarding the topics discussed in this paper. As indicated by the declared objectives of the reform, Italian harmonisation is primarily a macroeconomic project, unlike the 1990s enactments, which were mainly microeconomic. While the latter were implemented timidly as a means to support local managerial decision-making, the former are explicitly designed to enable more reliable and homogeneous quantification of the figures needed to monitor public debt and expenditure, and thus to formulate appropriate macroeconomic policy decisions.

In this way, government accounting becomes a support for national accounting, generating an evident overlap between their primary purposes. Although the budgetary function is the traditionally prevailing purpose of public sector accounting, and without cancelling renewed interest in its managerial significance, recent reform trends seem to leave it in the background, giving considerably more attention to the role public sector accounting can play in the compass of national accounting.

A second consideration worth emphasising is the evidence the Italian experience provides with respect to post-NPM approaches. The public sector accounting harmonisation itself should be read in the light of a broader design of renewed intergovernmental relationships. Common accounting rules and schemes in the country enable the central government to obtain an overall view of the economic and financial situation of the public administration sector, in turn useful for formulating the country's macroeconomic policy, as well as for defining Italy's position with regard to its EU membership, including EU fiscal supervision on Member States. As a matter of fact, all the public accounts, showing the economic and financial situation of the public sector, merge into the programmatic document of public finance prepared annually by the Minister of the Economy (*Documento di Economia e Finanza – DEF*),² on the basis of which macroeconomic policy for the following three years is decided. Interestingly, in order to obtain final approval by both Chambers of the Parliament, the *DEF* has to pass examina-

² The *DEF*, presented by the Minister of the Economy and Finance to the Parliament by 10th April, consists of three sections: The stability programme scheme identifying the economic policy objectives and the financial and economic projections for the following three years; analysis of the trends of public finance, including the accounts of the public administrations; a document describing the stage of the planned reforms. By the same date, the *DEF* is presented to the *Conferenza permanente per il coordinamento della finanza pubblica*, and ten days later to the EU Council and Commission. These institutional bodies' opinions are relevant and conditional to the final preparation of the programmatic document, which is submitted to the Senate and Chamber of Deputies by 20th September.

tion by an intergovernmental Commission (*Conferenza permanente per il coordinamento della finanza pubblica*) and the EU Commission and EU Council. Thus central government programming activity reveals accounting harmonisation as an effort that achieves two other objectives, namely internal policy coordination and its coupling with EU policy, pursuant to membership of this increasingly close union. Finally, the technical solutions included in the Italian accounting reform-making package prove to be closer to those conceived for the EPSAS formulation. In this way, the Italian public sector accounting reform takes a decisive step towards a future scenario of European public sector accounting harmonisation and a more feasible transition to this scenario.

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