



**Restoring Trust and Financial Stability  
Accounting and Financial Reporting  
as part of  
Comprehensive Reform**



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June 2012



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World Bank





**The Simple Logic:**

“No transparency, no trust;  
no trust, no credit;  
no credit, no investment;  
no investment, no growth!”

So there is a simple logic: financial reporting is an essential building block for financial intermediation, foreign investment, and sustainable economic development.”

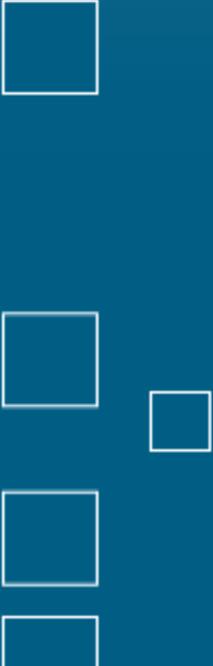


*Martin Gruell*  
*Raiffeisen International*



## Causes of Global Financial Crisis

At the root of market failure was optimism bred by a long period of high growth, low real interest rates and volatility, and policy failures in:

- Financial regulation, which was not equipped to see the risk concentrations and flawed incentives behind the financial innovation boom
  - Macroeconomic policies, which did not take into account the build-up of systemic risks in the financial system and the housing markets
  - The global financial architecture, where a fragmented surveillance system compounded the inability to see growing vulnerabilities and links
  - Implications for financial reporting. Not the major cause, but clear room for improvement
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**This crisis was a story of:**

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- Fragmented surveillance in silos of expertise
  - A policy debate dispersed in numerous forums
  - Limited collaboration among national financial regulators
  - Ad-hoc bilateral, regional, and multilateral facilities to address financing and liquidity needs
  - An overall failure to engage key decision-makers around the world
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# Weak Accounting Profession Can be Detrimental to Envisioned Reforms

ECONOMIC GROWTH

Development of  
Capital Markets

Job Creation

Improved  
Access to Credit

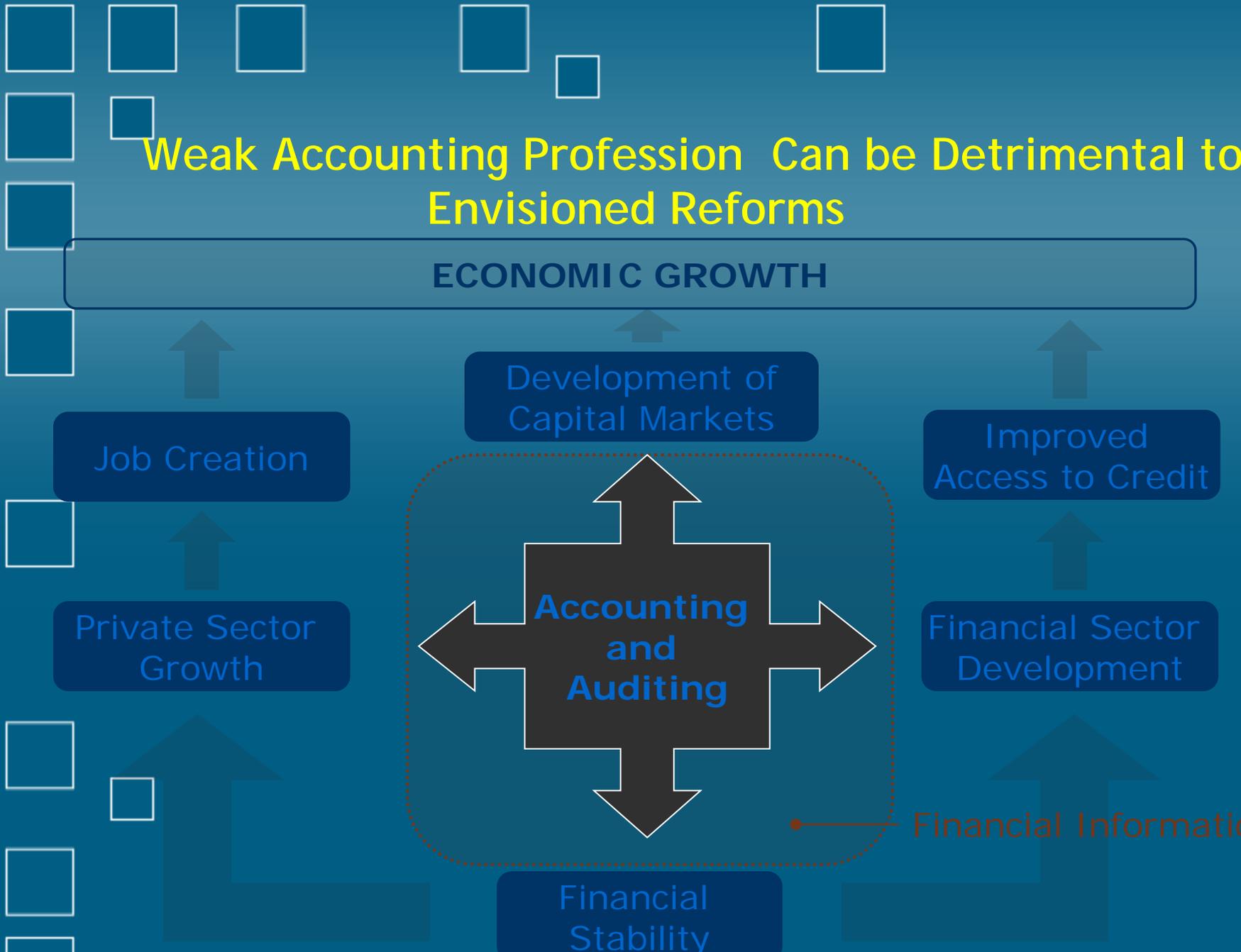
Private Sector  
Growth

Financial Sector  
Development

Accounting  
and  
Auditing

Financial  
Stability

Financial Information





## Complex Problems Call for Comprehensive Solutions...

- Move towards integrated projects focused on improving performance, regulation and governance of financial and private sector
- Quality of accounting, auditing and financial reporting becomes a recurrent topic, which gets more attention and appreciation
- Vienna center located in Austria provides comprehensive solutions for private and financial sector regulation, accounting and financial reporting
- In Caribbean , two projects focused on strengthening local accounting profession and supporting NBFIs are implemented by the ECCB



## Going Forward

- ROSC assessments present opportunities for policy dialogue
  - Various instruments can be used to provide assistance
  - Standalone projects should be complemented by activities embedded in broader programs
  - Silos of expertise should be broken and replaced with regional centers of excellence
  - Well-defined strategy and local ownership are key for successful collaboration
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