



International Federation of Accountants

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March 28, 2009

The Group of Twenty (G-20) Finance Ministers and Central Bank Governors
Mr. Anggito Abimanyu, Head of Fiscal Policy at the Indonesian Ministry of Finance
Mr. Benoit Coeure, Head of Multilateral Affairs and Development Policy at the French Ministry of Finance
c/o The G20 Secretariat
G20uk@hm-treasury.x.gsi.gov.uk

Re: Recommendations for Working Group 4 – The World Bank and Other Multilateral Development Banks (MDBs)

Dear Chairmen,

With the global economy in crisis, the G20 is uniquely situated to provide leadership and vision, and effect change to financial systems at an international level. This letter is in response to the G20's *Declaration from the Summit on Financial Markets and the World Economy* issued on November 15, 2008. It is designed to support G20 leaders with recommendations that assist in developing solutions that lead to a more stable financial system.

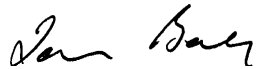
The International Federation of Accountants (IFAC) is the global organization for the accountancy profession. IFAC is comprised of 157 members and associates in 122 countries and jurisdictions.¹ Through them, we represent approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. IFAC, through its independent standard-setting boards, and in conjunction with the international regulatory community, sets international auditing and assurance, ethics, education, and public sector accounting standards. IFAC also issues guidance to encourage high-quality performance by professional accountants in business.

We believe that the accountancy profession will have an essential role to play in resolving the current crisis and in building a reformed international financial system. Therefore, IFAC would like to support the G20 in its work in facilitating change throughout the world. In doing so, we are submitting separate letters (of which this is one) to three of the four G20 Working Groups. In each letter, we provide recommendations in response to the general objectives stated in the G20's *Declaration from the Summit on Financial Markets and the World Economy* issued on November 15, 2008.

¹ For a list of professional accountancy institutes from G20 nations with membership in IFAC please refer to *Appendix A* of this letter.

Please advise us should you require further information or supporting detailed proposals on any of the recommendations made in this document. We would welcome the opportunity to contribute to the activity that will be needed subsequent to the April 2 G20 meeting to bring about the needed changes in the international financial system.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian Ball". The signature is written in a cursive, flowing style.

Ian Ball
Chief Executive Officer

Summary of the Recommendations to Working Group 4

1. We recommend that the G20 support the World Bank and other MDBs in their efforts to assist countries to improve their financial management capabilities and strengthen the financial reporting infrastructure. This would include facilitating the establishment and strengthening of well-governed national accountancy bodies where they do not exist.
2. We recommend that the G20 support the World Bank/International Monetary Fund (IMF) Reports on Observance of Standards and Codes (ROSC) initiative.

The following section expands on the recommendations summarized above for purpose of Working Group 4:

- 1. We recommend that the G20 support the World Bank and other MDBs in their efforts to assist countries to improve their financial management capabilities and strengthen the financial reporting infrastructure. This would include facilitating the establishment and strengthening of well-governed national accountancy bodies where they do not exist.**

The G20 should support the World Bank and other MDBs in their efforts to assist countries to improve their financial management capabilities and strengthen the financial reporting infrastructure. Effective financial management capabilities are critical to the development of any country. They provide assurance to citizens regarding use of taxes, to donors and lenders regarding appropriate use of funds, and to the private sector regarding the financial infrastructure for investment and growth.

The World Bank's Financial Management Sector focuses on areas of accounting, internal control, funds flow, financial reporting, and auditing arrangements in terms of how funds are received, allocated and their use recorded.

The World Bank's Financial Management Sector supports IFAC in its development of national accountancy bodies. A strong, well-governed national accountancy body is an essential component of a country's financial infrastructure. Professional accountants must be supported by well-developed national accountancy bodies. National accountancy bodies play a unique and critical role in ensuring that markets are provided with high quality financial information. The roles of such bodies vary from acting in a self-regulatory capacity to supporting or complementing the work of regulators.

The G20 should support the World Bank and other MDBs in their efforts to facilitate the establishment of national accountancy bodies. Donor agencies committed to achieving sustainable economic development and poverty reduction should continue to work with national accountancy bodies in their wider efforts to:

- Encourage investment from internal and external sources;
- Assist governments in the areas of economic planning, taxation and effective management of public expenditures;
- Support the achievement of high quality financial reporting;

- Promote good governance and management control;
- Minimize fraud and corruption; and
- Ensure that development assistance meets the intended objective.

Should the G20 require further information concerning the establishment and strengthening of professional accountancy bodies, IFAC would welcome the opportunity to contribute to the activity that will be needed subsequent to the April 2 G20 meeting.

2. We recommend that the G20 support the World Bank/International Monetary Fund (IMF) Reports on Observance of Standards and Codes (ROSC) initiative.

In light of the financial crisis, the G20 should support global initiatives to strengthen the international financial architecture. As a participant in international standard setting, IFAC encourages the G20 to support the ROSC initiative, which is a joint World Bank/IMF undertaking designed to assess the observance of selected standards relevant to private and financial sector development and stability. Standards play a central role in the following:

- Enhancing transparency and identifying weaknesses that may contribute to economic and financial vulnerability;
- Facilitating market efficiency and discipline; and
- Providing key benchmarks to guide policy reform.

The ROSC initiative covers a set of twelve internationally recognized core standards and codes relevant to economic stability and private and financial sector development. IFAC believes that the ROSC initiative provides necessary and highly useful information to all parties involved in the implementation of standards and should be a valuable asset to the G20 as tool to assess markets and measure the future effectiveness of economic reforms resulting from the current financial crisis.

We believe all countries could benefit from the ROSC assessment process. Further, a comprehensive program of implementation and follow up of recommendations from the ROSC assessments is essential to effecting the needed reforms and improvements.

List of Professional Accountancy Institutes from G20 Nations with Membership in IFAC

Argentina

- Federación Argentina de Consejos Profesionales de Ciencias Económicas

Australia

- CPA Australia
- The Institute of Chartered Accountants in Australia
- National Institute of Accountants in Australia

Brazil

- Conselho Federal de Contabilidade
- Instituto dos Auditores Independentes do Brasil

Canada

- The Canadian Institute of Chartered Accountants
- Certified General Accountants' Association of Canada
- CMA Canada

China

- The Chinese Institute of Certified Public Accountants

France

- Compagnie Nationale des Commissaires aux Comptes
- Conseil Supérieur de l'Ordre des Experts-Comptables

Germany

- Institut der Wirtschaftsprüfer
- Wirtschaftsprüferkammer

India

- The Institute of Chartered Accountants of India
- The Institute of Cost and Works Accountants of India

Indonesia

- Indonesian Institute of Accountants or Ikatan Akuntan Indonesia

Italy

- Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili

Japan

- The Japanese Institute of Certified Public Accountants

Mexico

- Instituto Mexicano de Contadores Públicos, A.C.

Russia

- The Institute of Professional Accountants of Russia
- Russian Collegium of Auditors

Saudi Arabia

- Saudi Organization for Certified Public Accountants

South Africa

- The South African Institute of Chartered Accountants
- The South African Institute of Professional Accountants

South Korea

- Korean Institute of Certified Public Accountants

Turkey

- Expert Accountants' Association of Turkey
- Union of Chambers of Certified Public Accountants of Turkey

United Kingdom

- The Association of Chartered Certified Accountants
- The Chartered Institute of Management Accountants
- The Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England & Wales
- The Institute of Chartered Accountants of Scotland

United States

- American Institute of Certified Public Accountants
- National Association of State Boards of Accountancy