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# **Building legitimacy for European public sector accounting standards (EPSAS): a governance perspective**

## **ABSTRACT**

***Purpose:** This paper looks at the EPSAS project development path to explore how governance and legitimacy issues intertwine when a new standard-setting system is developed.*

***Design/methodology/approach:** A qualitative interpretative multimethod approach is adopted, which encompasses document analysis and participative observations.*

***Findings:** The analysis shows the role of governance dimensions, including institutional participation and consensus, in the process for securing the legitimacy of accounting standards and the related setting processes, pointing to the critical issues emerging throughout the development of the EPSAS project.*

***Originality/value:** The definition of public sector accounting standards poses significant challenges to the accounting profession and regulators alike. A paradigmatic case of such challenges is represented by the decisions to develop harmonised European public sector accounting standards (EPSAS). A key contribution of this paper is to connect legitimacy dimensions with network governance, offering a view of the input, output and procedural dimensions associated with decisions to legitimise EU public sector accounting standards and how these may be affected by network governance.*

**Keywords:** EPSAS, Network Governance, Legitimacy, Accounting & Politics

**Article Classification:** Research paper

# **Building legitimacy for European public sector accounting standards (EPSAS): a governance perspective**

## **1. Introduction**

Research in standard-setting has pointed to the centrality of issues of legitimation and governance in ensuring that the processes of definition, adoption and implementation of standards take place with the participation and representation of relevant stakeholders (e.g., Durocher et al., 2007; Jorissen et al., 2012; Pelger, 2016; Richardson, 2009; Richardson & Eberlain, 2011). This literature highlights that standard-setting takes place in a transnational policy arena (Hanberger, 2003; Pierson, 1996; Schmidt and Radaelli, 2004) where the roles of national governments, standard setters and regulators is shaped by international forces and institutions, multi-national firms and professional associations. Yet much remains to be explored in terms of actors' interactions, the related governance arrangements, and how this shapes standard-setting and the contents of standards (Black, 2008; Samsonova-Taddei & Humphrey, 2014).

Standard-setting in the public sector raises parallel preoccupations, presenting elements of complexity that make it particularly deserving of scholarly attention.

A paradigmatic case where such complexities are at play is the current EPSAS project. In the aftermath of the global financial crisis, the European Commission (EC) embarked on the ambitious project of developing accrual-based accounting standards for the EU member states (MSs)' governments, drawing on International Public Sector Accounting Standards (IPSASs). The EPSAS project represents an interesting opportunity for observing critical issues of standard-setting, while contributing more generally to a better understanding of how the process of legitimising standards is linked to governance issues. The need to ensure legitimacy of policies by tackling at the same time issues of governability of complex societies has led to a growing attention to new forms of governance, mostly in seeking to ensure effective regulations and accountability (Klijn, 2008;

Kersbergen & Van Waarden, 2004; Hirst, 2000; Rhodes, 1996; Stoker, 1998). Parallel concerns are to be observed in the public sector accounting standard-setting arena, as the development of IPSASs has been accompanied by debates on the legitimacy of such standards and the related setting processes (Aggestam & Brusca, 2016; Dabbicco & D'Amore 2016, Baskerville & Grossi, 2018).

The publication of the Commission's report on IPSAS (EC, 2013a) stimulated the emergence of a new body of EPSAS research. Among others, Biondi (2014), Calmel (2014), Mussari (2014), Aggestam and Brusca (2016) focused on EPSAS issues and process of harmonisation. Heald and Hodges (2015) and Oulasvirta & Bailey (2016) focused on the EPSAS development in connection with austerity and fiscal consolidation. Jones & Caruana (2014), Caruana (2016), Manes Rossi et al. (2016), Sforza e Cimini (2017) discussed whether EPSASs can represent the solution to governments' accountability and transparency needs, and the suitability and adaptation of private sector standards to the public sector. Caruana & Grima (2019), Dabbicco & D'Amore (2016), Dasi et al. (2016), Jorge et al. (2016) focused on the relationship of EPSAS with macro surveillance and statistical reporting. Biondi and Boisseau-Sierra (2017), Biondi (2016), Dabbicco (2015, 2018) focused on technical issues, e.g. recognition, measurement issues and impact of implementation of accrual. This shows that EPSASs have already attracted significant attention. This paper aims at contributing to this lively debate introducing a complementary perspective, i.e., focusing on how combining legitimacy and network governance theories can shed new lights on the understanding of (EPSAS) standard-setting processes.

More specifically, the purpose of this paper is to analyse the ongoing path of development of the EPSAS project to explore in practise how legitimacy (Richardson & Eberlain, 2011; Scharpf, 1998 Suchman, 1995) and governance (Klijn and Koppenjan 2004, 2012; Larson, 2002; Provan & Kenis, 2008; Richardson, 2009; Schmidt and Radaelli, 2004; Skogstad, 2003; Stoker, 1998; Wallner, 2008) issues intertwine, drawing on the relevant literatures.

A key contribution of this paper is to connect legitimacy dimensions with network governance, offering a view of the input, output and procedural dimensions associated with decisions to legitimise public sector accounting standards and how these may be affected by network governance. Looking at the EPSAS project allows to develop recommendations on the ongoing EPSAS project, and more general recommendations on the conditions of effectiveness of complex standard-setting processes, such as the development of IPSASs (Christiaens and Neyt, 2015)<sup>1</sup>.

The paper is structured as follows. The next section discusses relevant literature on EPSASs and on legitimacy and network governance; the third section clarifies the research methods; the fourth section illustrates the emergence and development of the EPSAS project in the EU context; the fifth section looks at the ongoing development of the EPSAS project through legitimacy and governance lenses. The last section draws conclusions.

## **2. Standard-setting: the perspective of legitimacy and network governance theories**

As Cooper & Robson (2006:424-5) point out, the ‘politics of standards setting’ places accounting in relation with politics and the regulatory space. This is particularly true in the EU case (Blauberger and Ritterberger 2015), where the setting of accounting standards appears to be, at the same time, a matter of definition of professional standards and of regulation. As such, the acceptance or approval of such standards will depend on being considered ‘legitimate’ in their respective arena, i.e., the professional and/or policy arenas.

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<sup>1</sup> As the EPSAS project is still in progress, this paper cannot offer a conclusive view on its developments. However, it can contribute to shed new lights on the concrete ways in which governance and legitimacy issues intertwine in standard-setting processes.

Legitimacy is “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (Suchman, 1995: 574; Beetham, 1991). Policy legitimacy has been generally described (Scharpf, 1998:2) as consisting of both input and output dimensions. Input-oriented legitimacy refers to “*government by the people*”, i.e. the establishment of democratic procedures to reflect the preferences of constituents, including participation of relevant stakeholders and respect of transparency and accountability principles. Output-oriented legitimacy refers to “*government for the people*” i.e. the effectiveness of the policy and governance systems to produce desired outcomes (Scharpf, 1998:2; 2014; Wallner, 2008).

Similarly, the legitimacy of professional accounting standards will depend both on the process set up for their approval, and the quality of reporting that they will produce.

Looking at transnational standard-setting, Richardson & Eberlain (2011) further elaborated on legitimacy dimensions referring to ‘*input legitimacy*’ as the legitimacy that stems from the features of the actors involved, ‘*throughput (or procedural) legitimacy*’ (Wallner, 2008) concerning the quality of the argumentation structure and how participation of stakeholders is arranged, and ‘*output legitimacy*’ as the effectiveness and appropriateness of standards. This classification is particularly suited to look at the interdependencies between different governance arrangements. Indeed, the setting of transnational standards, as well as European standards and regulations, is increasingly recognized as needing a form of network governance (Agranoff & McGuire 2011; Hirst, 2000; Kersbergen & Van Waarden, 2004; Richardson & Eberlein, 2011; Stone, 2004). When accounting standards are established not only as professional standards, but also as regulations, the legitimacy issues typical of a regulation realm will intertwine with the legitimacy issues at stake in the professional realm, creating possible tensions between different actors, and their relevant power positions, logics and rationalities, expectations, interests and values. This highlights the need to devote increasing attention to the roles and interactions of these actors, the procedure and the

governance adopted. In this vein, network governance literature can shed light on how input, throughput and output legitimacy can be pursued in complex and multi-stakeholder policy-making settings. In such forms of governance, policy phases and their legitimation, far from being a sequence of rational stages (i.e. analysis - exploring solutions - choosing - implementing), imply responsiveness to perceived needs and problems, strategic power games among the actors, and also deadlocks and steps forward (Klijn & Koppenjan 2008, 2012).

A suitable framework to bridge governance and legitimacy is offered by prior work (for example, Provan & Kenis, 2008) which has shown how the effectiveness of policy governance will depend on participation, goal consensus, trust, capacities at network level, as key predictors to enhance the level of legitimacy and the effectiveness of both the policy design and implementation, and the network governance form characterizing such a policy. When *participants* in such a network are *numerous* and located in different countries, *coordination* among them may become particularly complex and require more structural solutions for network activities. *Trust*, which is a critical coordination mechanism, may be pervasive among and between network members or may need to be brokered/facilitated. *Goal consensus* is “*based on goal similarity*” (Provan & Kenis, 2008: 240) and requires agreement on an action/change by network participants. How participants should be involved is an important aspect to enhance such a commitment, notably by actors with high influence (i.e., government accounting authorities and standards setters, politicians, etc.) though the network as a whole should view the policy as legitimate. *Network-level capacities* are linked to the nature of the task to be addressed by network members. *Complexity* (i.e. many actors, relations, etc.), fragmentation and interdependences among members, divergent opinions (perceptions) about the direction of a project/policy, the need for learning from experience and insights of others, power balances and coordination among the actors, legitimacy per se, and complex political and institutional features all call for network-level competencies. This requires reliance on informal interactions and the development of specific competencies, notably building legitimacy.

### **3. Purpose of the paper and research methods**

As pointed out above, this paper looks at the ongoing path of development of the EPSAS project to explore the concrete ways in which governance and legitimacy issues intertwine.

A qualitative interpretative approach is adopted, which relies on document analysis (Bowen, 2009) and participative observation. The document analysis is based on empirical material (official and secondary sources) issued between 2011 and 2018. This includes ex-ante evaluation, public records (such as proceedings of meetings and internal communications), non-technical literature (such as reports on on-going projects, presentations and public consultation papers) and comments letters placed in the (most publicly available) archives of the organizations which play a relevant role in the EPSAS project (i.e. IPSASB, Eurostat, Chartered Institute of Public Finance and Accountancy Le Conseil de normalisation des comptes publics, other international institutions - OECD, IMF, and large audit firms with specific expertise in the field of public sector accounting), literature and newspapers. This has been triangulated with participatory observation as one of the authors took part in all the meetings of the European task forces and working groups as part of the European debate on harmonisation of government accounting (IPSAS/EPSAS) over more than seven years<sup>2</sup>. This active involvement in the project provided the authors (Karra and Philipps, 2008) with coverage and ease of access to data (Yin, 1994) and to gather deeper insights from the participants in the process. The risk of being influenced by the professional context and high involvement that could determine a biased interpretation and lack of objectivity is a disadvantage of participative approach but this risk is present in any type of research and was moderated by triangulation with documental sources (as

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<sup>2</sup> Participant observations were possible because during the period of development one of the authors worked at Eurostat (2008-2012), then this author changed role in 2013, starting to act as an observer of the developments of EPSAS as a representative of ISTAT, NSI of Italy at EPSAS working groups. She also participated to the OECD accrual symposia from 2013 to 2019 where she was in the position to observe key players related to the project. In addition, she was actively involved in the research work of EGPA and CIGAR network from 2013 to present, embodying some highlights of action research and direct following of the process (Thomas, 2004). This author was thus able to observe and obtain deeper insights into the process and collect data from the EU and MS..

discussed above) as well as by the presence of an independent author. The data were analyzed through a thematic approach and further validated through collective interpretation based on interaction between the authors, where particular care was devoted to ensure that diverging views were thoroughly discussed and sorted out.

#### **4. The Eurostat path to ‘legitimization’ of EPSAS**

Table 1 summarizes the key events of the path leading to the emergence of the EPSAS project.

---Insert table 1 about here---

The EPSAS project seemingly started as a response to the weaknesses (Koen & Van den Nord, 2005) in governmental accounting systems, brought to the light by the sovereign debt crisis. The crisis was seen by EU institutions as a trigger for seeking better coordination of economic policies, reinforcing public sector financial management, and improving accounting information available from the EU MSs (EC, 2013a). As highlighted by the Wall Street Journal (2015):

*“Some of the strongest pressure for reform is coming from Eurostat, the statistical arm of the European Commission. [...] By Eurostat's own admission, the current approach to compiling EU public-sector financial data is incoherent and reaching its limits”.*

In parallel, IFAC (2012) urged the G20 to encourage governments to improve public sector financial management and reporting, focussing on transparency and accountability (G20, 2013).

In 2011 the EC committed to the implementation of accrual-based public-sector accounting (EC, 2011). Even though the immediate adoption of IPSASs was initially proposed by the European Parliament (EP, 2011), following a significant debate, and in the light of cash-based systems still being used by MSs, a compromise was reached in directive 85/2011 to carry out a preliminary assessment of the suitability of IPSAS for the EU MSs, with Eurostat to take the lead in the process (Table 1).

A preliminary analysis (EY, 2012) confirmed substantial diversity in accounting practices, not only across MSs but also among different entities in the same country. In response to this diversity, a

general view emerged that the reliability of Excessive Deficit Procedure statistics would be “*considerably improved*” if all government entities were to use the same accrual-based accounting standards (EC 2013a; Dabbicco & D’Amore, 2016).

To build a broader legitimacy for EPSAS, Eurostat launched its first-ever public consultation, seeking comments from a wide range of stakeholders on the advantages/disadvantages of implementing IPSAS in the EU MSs (EC, 2012a, c). The consultation received 68 contributions from various stakeholders, including Ministries of Finance, Audit offices, Statistical offices, national standard setters, regulators, accountants, other public and private bodies and several academics/individuals, from both EU- and non-EU countries (table 2). The report on the consultation (EC, 2012b) shows that 38% of responses were favourable to IPSAS implementation, whereas others considered IPSAS as not being fully suitable (31%) and a substantial proportion were against (28%), raising issues including the governance of the IPSASB, the lack of a conceptual framework (which was under development at that time), IPSAS incompleteness and IPSASB being seen as too strongly influenced by private sector accounting professions. The report also pointed out that:

*[...]It would be essential for public authorities to be involved in the process of drafting and issuing such standards and the governance structure of the IPSAS Board would therefore need to be adapted”* (EC, 2012b; 5;8).

On the basis of this feedback, the report prepared by Eurostat (EC, 2013a) concluded that IPSASs cannot simply be introduced in EU MSs “*as they currently stand*”, while describing them as an “*undisputable reference*” towards European harmonization. The report proposed the development of a set of harmonized accounting standards for the all public sector entities based on accrual IPSAS, identified as European Public Sector Accounting Standards (EPSASs).

Following up on a conference held in Brussels in May 2013 with other EU key stakeholders (i.e. the EU Council, European Parliament, European Court of Auditors), Eurostat started to prepare an impact assessment on the economic and social effects of the proposed policy for future EU legislation (as requested by the European governance model, see EC, 2009; EP, 2017; Thomson & Hosly, 2006).

Eurostat briefed several meetings of the Economic and Financial Committee and Sub-committee on statistics<sup>3</sup>, for example, in a seminar in July 2016, pointing out that:

*“.. more Member States are moving or are planning to move towards IPSAS or [...] accruals accounting” ....” While this is a step in the right direction, it needs to be complemented by ‘harmonised’ European guidance so that in the medium term a transition to EPSAS would be facilitated” (EC, 2016:2)*

In preparing the Framework Regulation, Eurostat proposed to build up a governance system based on EU law-making procedures, echoing the statistical governance model used for the European Statistical System<sup>4</sup>, but applicable to a EU network of public accountants. The proposed structure of EPSAS governance would include a high level Committee, chaired by the EC and composed of representatives of the MSs and other stakeholders as observers, working groups and task based groups (‘cells’), a technical advisory group, with interpretation, function and the supervisory role of European Institutions under common comitology rules<sup>5</sup>. A strong role for experts from outside government accounting authorities was also foreseen, and a permanent secretariat from Eurostat envisaged.

The EPSAS governance principles and structures described above were the subject of a new public consultation undertaken by the EC (EC, 2013c). The consultation received 203 responses, mainly from government accounting authorities/standard setters, professional associations, public audit authorities and academics (table 2). Respondents were partially favourable to the governance structure. However, out of 203 responses, 110 (54.2 %), came from the German Local or regional authorities, which were generally against the arrangements described in the consultation.

---Insert table 2 about here---

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<sup>3</sup> A committee of the EU set up to promote policy coordination among the MSs. It provides opinions at the request of the Council of the EU or the EC. See [http://europa.eu/efc/about/index\\_en.htm](http://europa.eu/efc/about/index_en.htm).

<sup>4</sup>See [http://ec.europa.eu/eurostat/statistics-explained/index.php/Eurostat\\_and\\_the\\_European\\_Statistical\\_System#European\\_Statistical\\_System\\_.28ESS.29](http://ec.europa.eu/eurostat/statistics-explained/index.php/Eurostat_and_the_European_Statistical_System#European_Statistical_System_.28ESS.29).

<sup>5</sup> An oversight committee was initially proposed but it didn’t receive much support from the consultation.

The consultation showed that the involvement of stakeholders would be necessary in advancing the policy, albeit within distinct roles in technical development of standards, interpretation and legal adoption of standards (EC, 2014)<sup>6</sup>.

Since the beginning, Eurostat had started to build such a 'first-of-its-kind EU network of government accounting' establishing temporary Task Forces and a Working Group including professional associations, the "Big 4" firms, technical experts and representatives from national governments and standard setters, and other global stakeholders, engaging with various relevant international fora (e.g. OECD Accrual Symposium, Bruegel Group of 20, Accountancy Europe, Institute of Chartered Accountants in England and Wales, Institut der Wirtschaftsprüfer in Deutschland, Association of Chartered Certified Accountants seminars, World Congress of Accountants). Academics were also invited to join the 'transnational group' and academic research on accrual accounting was called for with two general support letters. This became evident after an initial lack of involvement of academics was pointed out (Heald and Hodges, 2015)<sup>7</sup>. Eurostat also resorted to other communication channels, such as emails, letters, participation to conferences and academic workshops. Additionally, the EC financed specific projects aimed at the assessment of the need for modernization of public sector accounting in individual MS<sup>8</sup>.

Table 3 shows the composition of the working group.

---insert table 3 here---

As shown in the documents from meetings and conferences available from the Eurostat or Accountancy Europe websites, the project gathered support but also skepticism among scholars (for example, Caperchione, 2015; Heald and Hodges, 2015, Jones & Caruana, 2014, Oulasivarta, 2014;

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<sup>6</sup> The full responses are not yet available as at May 2019.

<sup>7</sup> There were only 3 responses to the IPSAS public consultation from academics. On the lack of participation of academics for private sector accounting (to the Standing Interpretations Committee (SIC)) see also Larson (2002). One may argue that it may not be rewarding for academics to issuing documents and comment letters because such work may not be recognized by their institutions as 'publications' but rather participate to the debate in conferences with articles and books.

<sup>8</sup> A total of 1.2 Eur million was awarded to 6 MS (7 projects) in 2015.

Oulasvirta and Bailey, 2016), statisticians and accountants and MS public authorities. The latter started to take positions against such developments or expressed different positions to the centralised top down approach (see for example Bundesrechnungshof, 2017; CFRR, 2016). Others claimed that stronger reference to other conceptual frameworks (i.e. France) was needed, and feared giving excessive power to the EC. MSs also pointed out the costs compared to the (mostly not measurable) benefits, the inappropriateness of the solution to a ‘statistical’ problem, considering alternative, more voluntary and flexible tools, such as directives, more effective and realistic.

## **5. Governance, legitimacy and standard-setting in the EPSAS project**

### *Unpacking accounting standard legitimacy: a view from the Network Governance Theory*

Adopting the conceptual lenses of Network Governance, the events described above and ongoing discussion may be seen as a case where the actors showed limited awareness of their mutual dependency, and of the importance of trust to sustain supra-national arrangements.

When looking at participation in the process, the inclusion of a broader range of stakeholders (table 3), was the means for Eurostat to create more support for the EPSAS project, and the embrace of stakeholder consultations and the EU decision-making model sought to increase inclusion in the process.

Table 4 summarizes, distinguishing between input, throughput and output legitimacy, the relevant drivers as well as critical contingencies to be considered for the legitimation path emerging from the EPSAS case. Drawing on the literature the table thus illustrates the detailed results of the above analysis and the emerging reflections on the ongoing EPSAS project.

--- Insert Table 4 around here --

In the initial stages, IPSAS/EPSASs were framed as a “*technical response to the uncertainty*” (Klijn & Koppenjan 2004:25), especially conveying both input and output legitimacy as a supranational solution for more transparency, accountability, and financial stability *outcomes*.

This is highlighted in the table 4 in the evidence of ‘quality’ information in the face of the possible (negative) evolution of the situation in public sector accounting and public financial management, and the scale (and complexity) of the problem. The origins of IPSAS in the (private sector) accounting professional arena were seen as contributing to secure ‘technocratic’<sup>9</sup> legitimacy, while reliance on formal EU deliberation processes would have provided the due legitimacy at the EU policy level. However, at that stage of the process, national political figures had not yet actively taken part in the process, leaving national representation in the meetings to ministry officials. Moreover, although the City Economic & Financial Governance Group – which aims among other objectives to generate comparable financial and accounting data among European cities - is contributing at EPSAS work (CEFG, 2017, 2018) the local government level was weakly represented. Similarly, interactions with the academic community remained limited, probably because of a perceived lack of influence on decision-making.

Table 2 also shows that in both public consultations the highest share of responses were received from Professional Association/Standard Setters, Ministry of Finance/Treasury (as preparers), private individuals and Regional Audit Offices (with a predominance of responses from Germany in the second one). In addition, the number of responses was seen as being too low (Caperchione, 2015), suggesting that the consultation represented more a symbolic tool of legitimation than an actual ‘mode of participation’ (Botzem, 2014). The mobilization of expertise to secure technical legitimacy was put under scrutiny by actors - such as Germany - which asked for greater consideration of EU subsidiarity and proportionality principles in the process. Moreover, the presence of participants

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<sup>9</sup> Rather than in the legitimacy’s broader sense of (democratic) consensus of citizens (Radaelli, 2000).

wearing ‘several hats’ at the same time (i.e. IPSASB, accounting firms and professional associations), potentially in conflict of interest, was perceived as challenging the political legitimacy of the project.

The need to strengthen political legitimacy was gradually acknowledged by Eurostat with dedicated Task Forces and working groups, think tanks and fora for exchange of views, aiming to build up trust and consensus through a transnational network. This is highlighted in table 4, for example, in the evidence related to the number of participants ‘eligible’ to participate. The integration of EPSAS within Eurostat core work from 2019 appears to be most recent move intended to tackle legitimacy and governance issues.

In line with Network Governance Theory, which suggests that lack of participation and cooperation in the strategy by relevant actors may bring about a ‘lack’ of trust and consensus, such critical contingencies erupted in the EPSASs case, affecting its outcomes. The initial lack of direct involvement of actors, including MSs, ended up jeopardising the whole process as the dispute over sovereignty played a significant role in the opposition to developments at supranational level. By the same token, the uncertainty on “*who will play what role in the problem solving process*”, the subsequent focus on costs, rather than on the potential benefits in the longer term, came to shape and dominate ongoing discussions (see Klijn & Koppenjan 2004:117).

These findings suggest that whilst Eurostat took into consideration these risks and uncertainty at a technical level in the impact assessment, the complex arrangements in this network of actors including MSs, international organizations, professional firms and associations required much more political support. Such findings also show that Eurostat needed a more complex view grounded in a broader-than-usual range of stakeholders (Blauberger and Ritterberger 2015; Stone, 2004;). At the same time, it may be argued that lobbying forces from private sector accounting professions, which may try to shape EPSAS following a private sector model, need to be considered in the context of transparency and participation.

### *Strengthening standard-setting legitimacy: a view of the EPSAS governance*

In response to the critical issues and contingencies highlighted above, the evidence presented suggests that Eurostat adopted a number of strategies and tactics to enhance EPSAS (technical and political) legitimacy (see table 4).

First, elements of *output legitimacy* were revised to make the outcome more gradual and compatible with MSs' concerns, encouraging MSs to first adopt accrual accounting to ensure stronger transparency and only later focussing on EPSAS and comparability.

Second, Eurostat paid increasing attention to *input and procedural legitimacy*, such as the distribution of powers, the political support for the legislation, the need to take onboard influential actors such as the European Parliament and Council, and to establish fora for political discussion. Eurostat increasingly relied on EU institutions' mechanisms, such as information meetings with the Economic and Financial Committee, use of Commission-type groups, involvement of European Parliament Budgetary Committee, a clear discussion process and a call to strengthen representation in the EPSAS working group of both central and sub-central government levels.

Third, Eurostat realized that, for the project to succeed, those who were reluctant should be converted into partners, for example by showcasing countries which are adopting IPSAS, (e.g., Malta, Cyprus, Portugal), drawing on the EC's Structural Reform Support Service for projects related to public financial management; and grants for assessing the need for modernization of Public Sector Accounting in individual MSs.

## **6. Conclusions**

This paper reconstructs the EPSAS project path, showing the concrete ways in which Eurostat had increasingly to re-think the governance of the project to (try to) secure its legitimacy, becoming increasingly aware of the need to operate in a broader and more complex environment. From having initially been presented as a technical response to the need of improved and harmonized accounting

information, the EPSAS project has been increasingly framed as an issue of comparative representativeness of countries' models and traditions in accounting (i.e., Anglo-Saxon versus German legalistic accounting model). Some MSs weigh the project's potential benefits against any possible risk of erosion to their sovereignty (Blauberger & Ritterberger, 2015) and corresponding loss of decision-making authority. This path seems to have led Eurostat to embrace a more participatory approach. It may be noticed, however, that, as Eurostat is the main actor in the network, it may be subject to pressures exercised by various parties interested on who is or may be involved, whose decisions significantly influence the governance of the project, and may, in turn, also shape its outcome.

Network governance appeared to be a relevant theory for shedding new lights on how Eurostat had to address significant governance issues to enhance EPSAS (technical and political) legitimacy. Setting European standards for MSs' governments requires working in a 'co-ordinative realm' (Schmidt & Radaelli, 2004) with relevant stakeholders to build consensus, trust, and democratic 'thrust'. In the case of EPSAS, governing these critical contingencies became relevant to ensure a consensual definition of EU-wide public sector accounting standards (Provan and Kenis, 2008; Stone, 2004), notably mobilising resources, important not only to secure the quality of standards (and reporting) but for their acceptance by stakeholders (Wallner, 2008). These findings point to the critical issues to be addressed to ensure both technical and political legitimacy of accounting standard-setting processes. They also show which are the critical contingencies to be taken into consideration when building governance arrangements in complex, supra-national settings. These results may be relevant not only for the EPSAS project, but also more widely for parallel processes of standard-setting that are taking place globally.

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**Table 4. A view of network governance for EPSAS**

Type of legitimacy	Logic/Driver	Critical contingencies	
<b>Highlights from literature</b>			<b>Evidence and highlights from EPSAS</b>
Beetham,1991; Richardson,2009; Richardson & Eberlain, 2011; Scharpf, 1998; Suchman, 1995; Wallner, 2008.	Durocher, S., Fortin, A. and Côté, L. 2007; Jorissen, A. Lybaert N., Orens R. & Van Der Tas L. 2012; Larson, 2002; Kersbergen & Van Waarden, 2004; Richardson & Eberlain, 2011; Young,2003.	Botzem, 2014; Klijn, 2008; Klijn & Koppenjan 2004, 2012; Provan & Kenis, 2008, Skogstad, 2003; Stoker, 1998.	
Input	Professionalism	Trust	A clear discussion process has been settled (task forces, working group, cells) with full transparency (minutes, reports); opportunities have been shaped for steering and coordination.
	Expertise	Number of participants	<ul style="list-style-type: none"> <li>• A systematic involvement in the project of a wide range of MSs and different disciplines within MSs (preparers, standard setters, auditors, statisticians) has been progressively addressed.</li> <li>• Academia and local level authorities involvement should be widened....</li> </ul>
	Institutionalism	Goal Consensus	<ul style="list-style-type: none"> <li>• Worked through existing European mechanisms – keeping European Financial Committee informed, use of Commission-type groups.</li> <li>• IPSASB were observer and gave updated on their work, time to time giving insight on topic discussed (Observers had right to talk, but delegates have priority).</li> <li>• Governance plans rooted in European legislation and involvement of MSs experiences and best practices.</li> <li>• Ought to focus on ways to reach commitment by influent actors. Participation to fora to raise political discussion and consent as well as outreach to both central and sub-central government level ought to be increased.</li> </ul>
	Participation; Professionalism; Transparency and accountability	Network level competencies	<ul style="list-style-type: none"> <li>• The chairman ensured transparency and accountability of all stages of the process of development. Agenda drawn also on the basis the request of members, discussed specific topics with issues papers, submitted all the documents to members, ensured representation etc.</li> <li>• Inclusion of different disciplines needing to be increased (see above).</li> <li>• Work on encouragement of national level coordination (e.g. should reflect on pioneer role of France in Europe).</li> <li>• Acknowledgement and involvement of experts (consultants, academics). Establishment of fora for discussion. and technical and knowledge exchange should be supported.</li> <li>• Incentives and resources ought to be widened</li> </ul>

Procedural/Throughput	Regulatory policy	Wide participation; Deliberation	<ul style="list-style-type: none"> <li>• Focus on embedment of a wider field of social and political relation. Working on fragmentation trying to determine clusters: Consider distribution of powers-political support for the legislation.</li> <li>• Reflect on the role of national institutions as critical for the approval and implementation of transnational standards.</li> <li>• Consider balance of the experts and preparers with users in the due process.</li> <li>• Focus on the use of regulations, laws, and other instruments in standards setting.</li> </ul>
	Oversight	Transparency and accountability	<ul style="list-style-type: none"> <li>• Governance framework – needing reflections on ESS approach and learn on the creation of the Public Interest Committee from IPSASB to stimulate cooperation, maintain independency and neutrality.</li> </ul>
	<i>Quality of the debate</i>	Due process	<ul style="list-style-type: none"> <li>• Recognized the need to learn from IPSASB experience (due process for standards includes consultation/exposure and transparency).</li> <li>• Communication on EPSAS established with policy makers, governments, auditors, accountancy experts, academia, and with key stakeholders.</li> <li>• More reflection is needed on responsiveness (do not ignore opinion of clusters of interest); discuss the request for less stringent means of enforcement.</li> </ul>
Output	<i>Quality focus</i>	Trust	Reflections on quality framework for EPSAS. Support mutual adjustment on the focus.
	Continuous review	Evaluation	<ul style="list-style-type: none"> <li>• Wide consultation of stakeholders, from this, listening to the need to change the orientation of the project</li> <li>• Redraft the proposal and consider flexibility (i.e. longer timetable, work on resources and cost efficiency; first focus accruals implementation; later EPSAS harmonization).</li> </ul>

Source: authors' elaboration