



REPARIS

Road to Europe: Program of Accounting
Reform and Institutional Strengthening

Progress Report

1 January - 31 December 2011



List of Acronyms

ADA	Austrian Development Agency	IFAC	International Federation of Accountants
A&A	Accounting and Auditing	IFRS	International Financial Reporting Standards
AO	Audit and Oversight	IPA	Instrument for Pre-Accession
AOCOP	Audit and Oversight Community of Practice	IPD	Initial Professional Development
BCBS	Basel Committee on Banking Supervision	ISA	International Standards on Auditing
BiH	Bosnia and Herzegovina	KM	Knowledge Management
CAP	Country Action Plan	MDTF	Multi-Donor Trust Fund
CCA	Croatian Chamber of Auditors	M&E	Monitoring and Evaluation
CDRF	Capacity Development Results Framework	MoF	Ministry of Finance
CFR	Corporate Financial Reporting	MPG	Market Participants Groups
CFRR	Centre for Financial Reporting Reform	PIE	Public Interest Entity
CoP	Community of Practice	PIOB	Public Interest Oversight Board
CPD	Continuing Professional Development	QA	Quality Assurance
DAC	Donor Advisory Council	RLG	Regulatory Liaison Group
DNC	Developing Nations Committee of IFAC	REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
EC	European Commission	ROSC	Report on the Observance of Standards and Codes
EduCoP	Accounting Education Community of Practice	SAD	Statutory Audit Directive
EU	European Union	SCAAK	Society of Certified Accountants and Auditors of Kosovo
FR	Financial Reporting	SECO	Swiss State Secretariat for Economic Affairs
FRCOP	Financial Reporting Community of Practice	SME	Small or Medium-sized Enterprise
GDLN	Global Development Learning Network	TA	Technical Assistance
IAASB	International Auditing and Assurance Standards Board	UNCTAD	United Nations Conference on Trade and Development
IAESB	International Accounting Education Standards Board	USAID	United States Agency for International Development
ICE	In-Country Engagement	WBI	World Bank Institute
IDF	Institutional Development Fund (World Bank)		
IEKA	Albanian Institute of Authorized Auditors		
IES	International Education Standards for Professional Accountants		

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Executive Summary

This Progress report describes the activities carried out under the REPARIS program during 2011. It highlights the progress made towards the objectives of the program and the results achieved during the year.

Commitment to reform is leading to progress on the ground

In 2011, the program placed increased emphasis on in-country engagement which is helping to develop a closer relationship with the main stakeholders in financial reporting reform in each participating country. As demonstrated by the increased level of participation in the November 2011 Senior Official Workshop, this has secured a higher level of awareness of the benefits of better financial reporting and greater regional cooperation among senior policy-makers, especially among those responsible for managing the process of EU accession. These closer relationships help build the firm base of support needed to implement financial reporting reforms successfully. As REPARIS matures, the program of regional activities (and also the national program in Albania) is focusing on the support for the implementation of reforms rather than knowledge and experience sharing. This is leading to concrete progress: For instance, quality assurance schemes for audit are now in place in Croatia, Macedonia and Serbia. Moldova has benefitted from assistance with the implementation of new financial reporting and auditing laws, and Serbia has proposed updated laws.

World Bank Program Review backs the regional approach and the shift to support for implementation

The recently completed results framework for REPARIS has validated the regional approach of REPARIS and supports the gradual shift in the program's focus to supporting the implementation of reforms through in-country engagement. A Program Review of REPARIS chaired by the World Bank Director of Quality and Operations in ECA in November 2011 endorsed the program objectives and its results framework, confirming the importance of working closely with other parts of the Bank and of providing clear evidence to demonstrate where the program has made progress.

Community of Practice activities concentrate on developing practical tools

In line with the focus on implementation support and following requests from participants, the activities of the Communities of Practice (CoP) in 2011 had an increased emphasis on producing practical tools and materials that can be used and applied directly for follow up actions – such as the teaching materials in local languages provided by the EduCoP and the IFRS Foundation to local educators in the “Train-the-trainers” workshop on the IFRS for SMEs held in Sarajevo in October 2011, and the guide on completing a transposition table for the 4th Company Law Directive produced by the FRCoP. The CFRR continues to focus workshops held by the CoPs on those topics and activities where face-to-face interactions bring the most dividends. Continued use of distance-learning methods and newsletters keep participants up to date with technical developments and news. Examples include distance-learning events on the operation of public oversight systems organized by the AOCOP and the series of GDLN events on recent developments in IFRS and financial regulation for the IFRS for Regulators group.

Closer links with market participants give broader view of benefits of better financial reporting

The program has devoted more efforts to involving the business and investor community, one of the main users of financial reports, more closely in REPARIS. A session at the November Senior Officials Workshop allowed investors in the region to share their views about the progress made in financial reporting reforms and the main outstanding issues directly to relevant officials. An additional event with the Austrian business community allowed for a useful exchange of views between program beneficiaries, private sector and CFRR representatives. These events help to maintain policy-makers' commitment to the reform process by reinforcing their awareness of the economic benefits of reforms to financial reporting. This theme links well

with the EU's focus on Europe 2020 and will be developed further at the 2012 REPARIS Ministerial Conference to be held on 31 May 2012.

EU-REPARIS: building support for an EU-funded successor to REPARIS

The CFRR is working with senior officials in each REPARIS country to support the development of a new "EU-REPARIS" program. In close partnership with the EC, this new initiative will build on the success of the present program and will assist EU candidate and potential candidate countries from the Western Balkans to adopt and implement the EU *acquis communautaire* in corporate financial reporting. Most recently, staff from the CFRR presented the main features of EU-REPARIS to a meeting of private-sector experts from the region organized by the OECD and the Regional Co-operation Council (RCC) in Sarajevo in December 2011. Following this meeting and earlier discussions with the European Commission and potential participants in the program, the Centre is considering a submission for funding for EU-REPARIS from the EU's Multi-Beneficiary Instrument for Pre-Accession (m.b.IPA).

Lessons Learned in 2011

There has been demonstrable progress in implementing financial reporting reforms in countries participating in REPARIS, however, challenges remain. One particular aspect includes the fact that reforms only happen when senior policy-makers are committed to the reform agenda and are prepared to provide the necessary leadership. In this context it was noted that continued and regular interaction through the regional program is key to generate and sustain the needed commitment to reform efforts on the country level. As far as measures to increase national reform capacity are concerned, it has proved difficult to secure donor funding for national programs of financial reporting reform. This increases the need for the CFRR to focus more of its activity on providing timely and tailored support for national bodies, underlining the importance of the shift to implementation support. To leverage the funds allocated to regional REPARIS, the CFRR will further leverage its partnerships with international actors (such as IFAC, the IFRS Foundation and the European Commission) and also of the possibilities for working together with national bodies. For example, the joint conference held with SCAAK in Kosovo allowed the EduCoP to reach out to a wider audience. In addition, the Centre will continue to rely on World Bank resources to implement REPARIS. In response to participants' feedback, the CFRR will make more use of practical examples and case studies in face-to-face workshops and GDLN seminars. These will include more emphasis on using the experiences of the REPARIS countries themselves and the "new" EU member states in designing the content of events.

Outlook for 2012

Drawing on these lessons, the CFRR will implement the agreed REPARIS program plan for 2012. The main event of the year will be the second REPARIS Ministerial Conference which will take place on 31 May 2012. This will help to reconfirm minister-level support for the program and to maintain the political momentum needed for the successful implementation of financial reporting reforms. The Ministerial Conference will also support the notion of the follow-on EU-REPARIS program which is expected to be decided on during the second quarter of 2012.



Overview –Activities and Results

Activity	Key inputs and outputs Jan-Dec 2011	Key intermediate outcomes
<p><u>Component 1:</u> Reform momentum and regional cooperation aims to foster government support for the program's objectives and commitment to its effective implementation from Ministers of Finance, their Deputies and Senior Officials.</p>	<p>Program of visits to key stakeholders in participating countries. Visits made to all REPARIS countries.</p> <p>Senior Officials Workshop held in Vienna in November 2011 including a discussion with senior representatives of Austrian Banks, Insurance companies and a Big-4 audit firm.</p> <p>Outreach event organized in Vienna to showcase the work being carried under the REPARIS program to major Austrian investors in the REPARIS region, and to learn of their experiences of reforms undertaken within the REPARIS countries.</p>	<p>The high level of participation and interest at the Senior Officials Workshop demonstrate continued strong commitment to the program. Ministries of finance and senior officials from ministries of EU Integration in the Western Balkans have expressed clear support for a EU-REPARIS program beyond 2014 to build on the current REPARIS program.</p> <p>Discussions with high-level private sector representatives helped program participants understand the practical aspects of high-quality financial reporting and implications for further foreign direct investment.</p>
<p><u>Component 2:</u> Curricula development and education and training reform in accounting and auditing aims to promote the development of internationally compatible accounting education at (i) university level; (ii) for professional qualification; (iii) for continuing professional development.</p>	<p>The Accounting Education Community of Practice (EduCoP) held two workshops: in April 2011 in Pristina (jointly with SCAAK) and in June 2011 in Vienna.</p> <p>The EduCoP and Financial Reporting Community of Practice (FRCoP) organized a "Train the trainers" workshop on the IFRS for SMEs standard in Sarajevo in October 2011. This provided 40 teachers of accounting with supporting teaching materials, allowing them to teach course on modern systems of financial reporting more effectively.</p>	<p>Established partnership with IFAC to support the development of the profession in the REPARIS countries.</p> <p>Established twinning partnership between the Chamber of Auditors of Serbia and Royal NIVRA (Netherlands Chartered Accountants and Auditors) to help become member of IFAC.</p> <p>Providers of financial reporting training equipped with the capacity to deliver updated courses for practitioners and students throughout the region on IFRS based accounting and the IFRS for SMEs in particular.</p>
<p><u>Component 3:</u> Moving Forward in Accounting and Auditing:</p>		
<p>Financial Reporting: aims to promote the implementation of corporate financial reporting systems and requirements which are aligned with the <i>acquis</i> and meet the needs of investors and other users of financial statements.</p>	<p>In February, the FRCoP met to define a framework for further aligning accounting laws with the <i>acquis communautaire</i> and to discuss issues related to the implementation of IFRS, including translation and training.</p> <p>The FRCoP jointly with the EduCoP organized the "Train the trainers" workshop on the IFRS for SMEs (see above).</p>	<p>Provided tools to develop a concordance table to track compliance of national laws with requirements of the Fourth and Seventh Directives and the IAS regulation. CoP members committed themselves to preparing concordance tables, and discussed a timeline for future alignment.</p> <p>Reviewed progress towards producing a single IFRS Foundation-approved translation of IFRS and IFRS for SMEs in each official languages and the scope for international cooperation to achieve this aim.</p>
<p>Audit and Oversight: aims to promote the quality of the</p>	<p>The Audit and Oversight Community of Practice (AOCOP) held one workshop and</p>	<p>The focus on countries that have recently joined the EU or have aligned their audit</p>

Activity	Key inputs and outputs Jan-Dec 2011	Key intermediate outcomes
external audit function by assisting in the implementation of the Statutory Audit Directive (SAD).	one GLDN event on quality assurance and four GDLN events on public oversight. The CoP produced learning materials for quality assurance, and reports on sanctions and discipline and on public oversight systems in various countries.	frameworks with the <i>acquis</i> gave participants a much clearer understanding of the practical issues involved in meeting the various requirements of the SAD.
IFRS for Regulators: aims to help financial sector regulators to enhance the use of IFRS for regulatory purposes	One workshop and four GDLN events were held focusing on developments in corporate financial reporting and prudential concerns, e.g. IFRS4 v Solvency II and IFRS9 v Basel III.	Participants now have a much clearer understanding of the technical implications of recent changes in both reporting standards (IFRS4, IFRS9) and international regulatory rules (Basel III, Solvency II).
<u>Component 4:</u> Implementation Support, M&E, Results Framework and Knowledge Management		
Implementation support aims to assist countries in shaping and then implementing national reform efforts, drawing on the lessons learned from the experience of other countries in the region.	<p>Albania: Launch of national technical assistance project; strategic advisor and project coordinator identified and procurement underway. CFRR supported the continuing professional education program for statutory auditors, attended by more than 90% of the statutory auditors in Albania.</p> <p>Bosnia and Herzegovina: A&A ROSC published and dissemination and policy discussions on developing and financing a CFR project. Discussions and preparation of an application for IPA 2012 will continue towards mid 2012.</p> <p>Croatia: CFRR held further discussions on the results and challenges in developing the Quality Assurance System at the Chamber of Auditors.</p> <p>Kosovo: assisted SCAAK in organizing the joint EduCoP/SCAAK conference.</p> <p>Moldova: The CRDF approach was piloted in preparing a national TA project. Accountancy university helped to align its curricula with good international practice.</p> <p>Montenegro: Worked with IFAC staff to encourage the successful application of the professional body to join IFAC. Provided regular technical assistance and support.</p>	<p>Albania: Awareness of statutory auditors for CPE broadly and significantly increased.</p> <p>Bosnia and Herzegovina: CFR project included in the shortlist for IPA funding in 2012. A concordance table on the Eighth Directive and a document reviewing the implementation of the Fourth and Seventh Directive was prepared.</p> <p>Croatia: Public oversight system recognized by the EC as equivalent to those in EU member states. The Quality Assurance System proceeded from questionnaires to performing initial on-site visits, to all audit firms.</p> <p>Kosovo: EduCoP/SCAAK conference generated broad momentum for corporate financial reporting reform in Kosovo.</p> <p>Moldova: Technical design of the TA project well advanced but funding is a major challenge. The university is committed to having its curricula assessed by an internationally recognized accountancy body.</p> <p>Montenegro: The Ministry of Finance is committed to align the corporate financial reporting system with the <i>acquis</i> by 2012. The professional accountancy body (ICAM) became an Associate Member of IFAC in 2011.</p>



Activity	Key inputs and outputs Jan-Dec 2011	Key intermediate outcomes
	<p>Serbia: The IDF-funded assistance project helped to guide the development of new corporate financial reporting laws. An updated country strategy and action plan will guide the next phase of CFR.</p> <p>FYR Macedonia: Supported the delivery of updated CPE for statutory auditors. Initiated work on updated A&A ROSC</p>	<p>Serbia: The Ministry of Finance has drafted updated laws on financial reporting and statutory audit aimed at further alignment of the Serbian corporate financial reporting system with the <i>acquis</i>.</p> <p>FYR Macedonia: The Minister of Finance, policy makers and other key stakeholders reaffirmed their commitment to completing the alignment of the CFR system with EU requirements.</p>
Results Framework aims to develop methods to evaluate reform programs in financial reporting and to assess its level of development.	Work with the World Bank Institute (WBI) to develop a regional results framework and an institutional assessment tool piloted in Moldova and Albania.	The regional results framework for REPARIS is now live and being applied as steering and monitoring tool. It provided the basis to complete a log frame for the next phase of REPARIS.
Knowledge Management aims to ensure that the lessons learned and resources developed in the REPARIS program are shared throughout the region.	<p>All presentations at REPARIS events and many other materials are posted to the CFRR website. Newsletters keep participants up to date and help them share insights.</p> <p>Major update of the publication "Corporate Sector Accounting and Auditing in the Acquis Communautaire" completed and distributed widely.</p>	Although web traffic has fallen from the high levels seen in late 2010, the website and newsletter have secured a good level of readership amongst the REPARIS countries, allowing stakeholders to stay up to date with developments in financial reporting and with REPARIS activities.
<u>Component 5:</u> Program management and administration , refers to the administration of the REPARIS program and trust fund	<p>Several meetings with EC and national representatives to discuss IPA funding for EU-REPARIS, and preparatory work for submission far advanced.</p> <p>Budget adjusted to reflect funding and financial planning considerations. Progress Reports 2011 and Program Plan for 2012 completed. Amendment letters for planned contribution by Austrian Development Agency and for additional contribution by Luxembourg.</p>	<p>Support from potential beneficiaries and constituents of EU-REPARIS secured and shared with EC; positive feedback received from EC, even if no firm commitment at this stage.</p> <p>Budget adjustment and activity realignments led to significant savings providing more financial flexibility going forward.</p> <p>Secured additional donor contribution from Luxembourg (EUR 600,000) to strengthen the program's aspects of financial regulation.</p>

1. REPARIS Regional Activities

Program Objectives and Program Governance

The REPARIS program aims to assist the participating countries in adopting and implementing effective corporate financial reporting systems, which are aligned to the requirements of the EU *acquis communautaire*. The program supports participating countries to understand better the shared challenges that they face in implementing financial reporting reforms and to learn from other's experiences in designing and implementing reform programs. In this respect, the regional dimension provided by REPARIS aims to increase the capacity of the main stakeholders to implement their own national reforms. Additional technical assistance customized to specific national needs will usually be required to help with the design of these national reform programs. Regional REPARIS does not provide such assistance itself, but it does aim (through component 4.2 – implementation support) to ensure that such national-level assistance programs benefit as much as possible from the insights provided by the regional program.

Program Governance

REPARIS is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR), with a core team of experts and a panel of short-term consultants under the leadership of Henri Fortin. Each of the components of the REPARIS program is led by a senior specialist. This structure is designed to ensure that the resources of the REPARIS trust fund are used efficiently. Senior Officials representing the Governments of the eight REPARIS countries, typically Deputy Ministers of Finance, convene at least annually to review progress of the program and endorse the work-plan. Three governance groups, representing the interests of donors (Donor Advisory Council), regulators and standard setters (Regulatory Coordination Group), and market participants (Market Participants Group) respectively, also participate in overseeing the CFRR's work on REPARIS.

Progress by Component

The complementarity between regional and national programs complicates assessment of the progress of REPARIS. In particular, the success of each country in attaining the ultimate objective of financial reporting reform – an effective system of corporate financial reporting aligned with the EU *acquis communautaire* – will usually depend on the combined effectiveness of REPARIS and separate national technical assistance programs.

This means that a country by country assessment of, for example, progress towards the implementation of the *acquis*, provides only a partial measure of the success of regional REPARIS. For this reason, the descriptions of progress in this section focus on the specifically regional aspects of financial reporting reform which are the main focus of REPARIS. The main developments in financial reporting reform in each country in 2011 are summarized in the annex.

Component 1 - Reform Momentum and Regional Cooperation

Objectives

To foster political support for the program's objectives and commitment to effective implementation from Ministers of Finance, their Deputies and Senior Officials.

Activities

For much of 2011 the focus of activities under this component was an intensive program of bilateral meetings between the CFRR and key national stakeholders in each of the REPARIS countries. Meetings were held in all countries participating in REPARIS. These meetings gave CFRR staff the opportunity to brief policy-makers on

the progress of the program and on the future plans for REPARIS (including the application for Regional IPA funding for the proposed EU REPARIS program from the EU). They also helped the CFRR and national policy-makers to deepen their common understanding of the issues facing the reform of financial reporting.

These efforts brought dividends at the workshop organized by the CFRR for Senior Officials in Vienna on 10-11 November. There was a higher level of participation from key policy-makers in the REPARIS countries than at previous events and greater involvement in the workshop's discussions about the practical details of reform and REPARIS's future program. The workshop also updated participants on recent developments in financial reporting, especially the changes to accounting and auditing proposed by the European Commission, and allowed them to hear at first hand the views of foreign investors on the region's progress in the reform of financial reporting and the most important issues that still had to be resolved. Furthermore the workshop allowed participants to discuss practical aspects of financial reporting with high level representatives of the Austrian Bank Austria, Vienna Insurance Group and KPMG.

An event was organized on 14 November and brought together representatives of the Austrian business community, of beneficiary countries and the World Bank. As part of the program's efforts around the Market Participants Group, the event was a welcome opportunity to bring aboard the views of private sector representatives and, in this context, to discuss the program's objectives and successes.

Outcomes

The program of bilateral meetings, followed by the November Senior Officials Workshop, has helped to boost support among key policy-makers for the REPARIS program and also to maintain the momentum behind the reform process at the national level. All eligible countries (seven of the eight REPARIS countries, with the exception of Moldova, which is not currently a candidate or potential candidate for EU accession) have expressed support in principle for the application to use multi-beneficiary IPA funding to support the proposed EU-REPARIS program, which would replace REPARIS from late 2013.

The Ministries of Finance of both Serbia and Montenegro have initiated a program to comprehensively review and update their laws on financial reporting and statutory auditing and their institutional frameworks and have requested support for these activities from the CFRR under this program. The Assembly of Kosovo adopted a new law on Financial Reporting and Auditing in 2011, whilst the Minister of Finance of FYR Macedonia appointed the members of the Council for the Advancement of Auditing (new public oversight authority for the statutory audit).

Component 2 - Curricula Development and Education and Training Reform in Accounting and Auditing

Objectives

To promote the development of internationally compatible accounting education (i) at university level; (ii) for professional qualification; (iii) for continuing professional development of those already qualified

Activities

The Accounting Education Community of Practice (EduCoP) held three workshops in 2011. The first was held in Pristina, Kosovo on 12-13 May 2011 and was organized jointly with the Society of Certified Accountants and Auditors of Kosovo (SCAAK), the second event was held on 14-15 June in Vienna and the third (on the IFRS for SMEs) was held on 18-20 October in Sarajevo.

The theme of the May 2011 event was "Developing Capacity – Developing Economy". The seminar explored, in depth, the capacity development needs for developing the financial management and audit systems needed in both government (where they play an important role in supporting fiscal stability) and the corporate sector. Speakers and contributors highlighted the common knowledge, skills and competencies required, and encouraged the professional bodies and higher education sector to respond to these needs. The event attracted high-level attendees and received considerable national publicity. It highlighted the effectiveness of



combining the convening power of the REPARIS program with a professional body's strong national presence. It is noteworthy that the President of IFAC has cited SCAAK as an example of best practice in the development of the profession in a transitional economy in his global presentations.

In June 2011 the EduCoP held a workshop in Vienna, aimed at strengthening the quality of teaching of accounting and auditing within universities and professional bodies. The centerpiece of the June workshop was a presentation of a methodology for teaching IFRS-based financial reporting from the Director of the Education Initiative of the IFRS Foundation. This included a number of teaching aids and case studies developed specifically for the REPARIS EduCoP. This was complemented by a CFRR presentation on how to incorporate IFRS-based teaching courses into the model for university/professional accountancy education that was agreed at EduCoP's workshop in November 2010. The workshop also provided a presentation on approaches to teaching professional and business ethics by the International Education Director of the Netherlands Institute of Chartered Accountants, which provided valuable guidance to participants.

A partnership with IFAC to support the development of the profession in the REPARIS countries was established. Joint visits to BiH, Montenegro, Serbia and Kosovo took place. A twinning partnership between the Chamber of Auditors of Serbia and Royal NIVRA (Netherlands Chartered Accountants and Auditors) to facilitate progress towards IFAC membership was established.

In October 2011, the EduCoP, jointly with the Financial Reporting Community of Practice (FRCoP) and the IFRS Foundation held a "Train the trainers" event on the IFRS for SMEs reporting standard. This standard, which is designed for medium-sized firms that do not need to use full IFRS, has been adopted by Bosnia and Herzegovina and Macedonia, while other countries are considering doing so. As a principle-based standard, the IFRS for SMEs also serves as an introduction to full IFRS for students learning accounting. The workshop explained all the main elements of the IFRS for SMEs and provided teaching materials in local languages so that local accounting educators can deliver courses to their students on the IFRS for SMEs.

A more detailed description of the EduCoP's activities can be found on the REPARIS website: www.worldbank.org/reparis

Outcomes

Education requirements and implementation strategies to support capacity development in the private sector and public sector were endorsed by education stakeholders in the REPARIS countries, the IFAC Professional Accountancy Organization Development Committee and the World Bank.

IFAC has engaged with CFRR in assisting the development of the profession in the REPARIS countries. This has led to a program to assist all professional accountancy bodies in the REPARIS region to join IFAC by 2012, thus meeting one of the strategic aims of the EduCoP. As part of this, the CFRR has established mentoring partnerships to support the Serbian Chamber of Auditors and the Institute of Certified Accountants of Montenegro in meeting the membership obligations of the International Federation of Accountants.

The EduCoP has provided teaching materials and guidance to universities and professional bodies to support the effective teaching of financial reporting in accordance with IFRS and the IFRS for SMEs.

Component 3 - Moving forward in Accounting and Auditing

Financial Reporting

Objectives

To help the REPARIS countries align their corporate financial reporting requirement and practices with the EU *acquis communautaire* in a way that meets the needs of the full range of users of financial statements.



Activities

The Financial Reporting Community of Practice (FRCoP) held a two-day workshop in Vienna on 3-4 February 2011 and jointly organized the “Train the trainers” workshop on the IFRS for SMEs held on 18-20 October 2011 with the EduCoP. At the workshop in February, FRCoP members, who comprise senior officials from ministries of finance, standard setters, and universities, identified two main topics for the group to address: (i) the effective determination of financial reporting requirements for different entities, (ii) the implementation of IFRS and related issues, including translation and training. See above (Component 2) for the workshop on the IFRS for SMEs.

A more detailed description of the FRCoP’s activities can be found on the REPARIS website: www.worldbank.org/reparis

Outcomes

FRCoP members have gained a better understanding of the needs of users of general purpose financial statements. Two participating countries have adopted IFRS for SMEs as a lesser burden for SMEs than full IFRS; three other countries are considering its adoption. To assist the implementation of IFRS for SMEs, the CFRR is helping to establish national links with the IFRS Foundation to help ministries of finance and professional bodies agree sustainable translation and dissemination. The CFRR is encouraging collaboration between countries in developing authorized translations of IFRS and IFRS for SMEs.

FRCoP Members were provided tools to better align accounting laws with the relevant provisions of the *acquis communautaire*. After learning in the FRCoP about the key requirements of the EU’s Fourth Company Law Directive and how to draw up concordance tables, several countries are preparing to draw up concordance tables comparing their financial reporting systems with the EU requirements.

Audit and Oversight

Objectives

To promote the quality of the external audit function by assisting in the implementation of the Statutory Audit Directive (SAD).

Activities

The AOCOP’s activities have concentrated on three core aspects of audit and oversight: public oversight (PO) systems, quality assurance (QA) systems and approaches to sanctions & discipline. The AOCOP held one workshop on 24-25 March 2011, which focused on the operation of QA systems in Croatia and Macedonia. In addition, the AOCOP organized a series of four GDLN events on the operation of PO bodies, covering both the legal and regulatory framework governing public oversight and more practical details of the bodies’ operation between March and May 2011. A separate GDLN event on 1 March 2011 described Romania’s approach to reviewing auditors’ performance.

A more detailed description of the AOCOP’s activities can be found on the REPARIS website: www.worldbank.org/reparis

Outcomes

The AOCOP’s latest activities have focused on the experiences of countries that have recently gone through the process of complying with the provisions of the SAD (Romania for reviewing auditors; QA systems in Croatia and Macedonia; and PO systems in Poland and Lithuania). This has given AOCOP participants a clearer understanding of the practical challenges that they will face in adopting and then implementing an audit framework which is aligned with the SAD.

IFRS for Regulators

Objectives

To enhance the skills of financial regulators so that they can analyze financial statements produced under IFRS by the companies that they are regulating and can apply appropriate regulatory filters to them.

Activities

Activities under this heading include keeping financial regulators up to date with developments in regulation for banks and insurance undertakings as well as changes to IFRS for both types of entities. The CFRR organized one workshop for the IFRS for Regulators group in Vienna on 8-9 February 2011, and a series of four GDLN events in May-June 2011. These meetings covered changes in reporting standards and disclosures as well as the effects of changes in regulation (Basel III and Solvency II). The last distance learning events focused on insurance regulators. The GDLN series attracted around 50 participants for each event.

A more detailed summary of the activities of the IFRS for Regulators group can be found on the REPARIS website: www.worldbank.org/reparis

Outcomes

Participants now have a much clearer awareness of the technical implications of recent changes in both reporting standards (IFRS4, IFRS9) and international regulatory rules (Basel III, Solvency II). In addition, the GDLN series gave participants an insight into how these changes will affect the business operations and strategies of the banks and insurance companies that they regulate.

Component 4 - Implementation Support, Monitoring and Evaluation (M&E), Results Framework and Knowledge Management

Implementation Support

Objectives

To establish effective links between the REPARIS regional program and national reform programs to assist national stakeholders in effective transposition and implementation of the EU *acquis communautaire*.

Activities

Implementation support was provided by CFRR for the Albanian recipient-executed project. The focus of activities was to launch implementation, get the procurement packages ready, including developing and internalizing specific terms of reference for various technical assistance assignments.

The CFRR published the 2010 Report on the Observance of Standards and Codes for Bosnia and Herzegovina. CFRR organized a public event on June 27, 2011 to disseminate the conclusions of the report and its recommendations. The Ministries of Finance in the two Entities, and the Ministry of Finance and Treasury at State level are all committed to implement the recommendation of the report. In addition, the World Bank has assisted the Entities in preparing a CFR project which could potentially be funded under IPA in 2012.

Under a World Bank IDF, Croatia has set up systems for quality assurance and public oversight which the EU has accepted as meeting the requirements of the Statutory Audit Directive. The Chairman of the Public Oversight Council delivered a presentation on the Croatian public oversight system during the EC conference on Accounting and Auditing in February 2011.

The CFRR worked with the Society of Accountants and Auditors of Kosovo (SCAAK) and Kosovo Board for Standards in Financial Reporting in planning the EduCoP/SCAAK international conference that took place in May 2011 which attracted 300 participants including representatives from the profession in the other REPARIS countries, IFAC, senior World Bank management, and Kosovo business and political leadership.

Two technical support missions were undertaken to Montenegro, during which a plan for implementation of the Country Action Plan was developed and agreed with the Minister of Finance. During these missions the CFRR also met the National Commission on Accounting and Auditing and the Institute of Certified Accountants, together with the Technical Manager of the Member Body Department of IFAC. With a view to future IFAC membership, the ongoing development of the professional body was supported through efforts of Continuing Professional Education during two major events organized by the professional body.

In the context of initiating the FYR Macedonia ROSC 2012 update, the CFRR team met with the Secretary of State, the head of the Financial Systems Directorate at MoF and key stakeholders from the profession, audit firms, and University sectors.

The CFRR has supervised the completion of the IDF-funded project to develop a Corporate Financial Reporting Country Action Plan for Serbia. The CFRR provided technical support to the Ministry of Finance Accounting and Auditing unit through two missions and email and telephone assistance to enhance the unit's capacity to manage the consultants carrying out the IDF project and then to apply the project's findings. The missions also provided advice to the Ministry of Finance on screening the existing accounting and audit laws and facilitated meetings with stakeholders outside government, including the Chamber of Auditors, the Serbian Accounting and Audit Association, the National Accounting and Audit Advisory Council and the University of Belgrade. Updated transposition tables to guide the next phases of reform including the development of new corporate financial reporting laws, as well as a country strategy and action plan were provided. A twinning agreement between the CoA and Royal NIVRA (Netherlands) to support the accession of CoA to IFAC was facilitated, technical support to the CoA to complete the IFAC compliance program information and action planning required for membership was provided. A CPD session to the symposium of the Serbian Association of Accountants and Auditors (SRRS) was led.

The CFRR supported the implementation of continuing professional education for statutory auditors and accountants by attending and presenting sessions organized by the professional bodies in FYR Macedonia, Albania and Montenegro. CFRR also attended and delivered presentations at the annual symposium of the RS Association of Accountants and Auditors in Bosnia & Herzegovina.

Outcomes

Albania: The national project was launched; stakeholder commitment and awareness is ensured for delivery of project tasks.

Bosnia and Herzegovina: the Ministers of Finance have agreed the conclusions of the 2010 ROSC A&A and have committed themselves to implement its recommendations. BiH prepared a concordance table to the Eighth Company Law Directive and a document presenting the implementation status of the Fourth and the Seventh Directives in the accounting laws of the two Entities: the Federation of Bosnia and Herzegovina and Republika Srpska.

Croatia: the European Commission has recognized the Public Oversight System of Croatia to be equivalent to those of the EU member states. In its 2011 Progress Report, the EC reported that the accounting and auditing laws were largely aligned with the *acquis*, and that further progress had been made by the quality assurance team of the Croatian Chamber of Auditors, in conducting on site visits to all audit firms.

Moldova: Stakeholders are committed to the national project. Also, the academic community is committed to improving the accountancy education and curricula.

Montenegro: The CFRR has agreed and commenced implementation of a detailed work plan with the Ministry of Finance in Montenegro for overhauling the corporate financial reporting system, with the aim of aligning it with the *acquis* by 2012. The professional accountancy body (ICAM) became an Associate Member of IFAC in 2011.



FYR Macedonia: Minister of Finance has welcomed initiation of A&A ROSC Update 2012, and together with policy makers and other key stakeholders, reaffirmed their support and commitment for ongoing reforms to complete the alignment of the CFR system with the EU requirements.

Serbia: the Country Action Plan for the development of corporate financial reporting was completed during this period, together with a transposition table for the EU 4th, 7th and 8th Directives. By the end of 2011 the Ministry of Finance had prepared initial drafts of updated laws in financial reporting and auditing. The twinning agreement facilitated by the CFRR has provided a source of longer term peer support to the Serbian Chamber of Auditors from an established EU based professional body for auditors. The Chamber applied for IFAC membership in December 2011.

CFRR provided CPD courses and presentations to more than 600 accountants in Serbia, 90% of the auditors in Montenegro, Albania and FYR Macedonia and more than 270 accountants, auditors and key stakeholders in Kosovo.

Monitoring and Evaluation (M&E)

See sections Results Framework, Lessons Learned and Program Management

Results Framework

Objectives

To develop a results framework for the elements of REPARIS based on the Capacity Development and Results Framework (CDRF) approach developed by the World Bank Institute (WBI);

To contribute to developing performance indicators in the field of corporate financial reporting.

Activities

The CFRR worked with the WBI and the World Bank's Quality Team to implement a capacity development results framework (CDRF) for the elements of REPARIS. This has produced a results framework for REPARIS that validates the program's regional approach and supports the gradual shift in its focus from an emphasis on knowledge sharing and peer learning to implementation support (i.e. providing concrete support for carrying out reforms in practice). A World Bank program review of REPARIS in November 2011 endorsed the results framework, emphasizing the importance of working closely with other parts of the Bank and of providing clear evidence to demonstrate where the program has made progress.

Outcomes

The regional results framework for REPARIS is now live. In addition, a log frame (a result-based framework) for the next phase of REPARIS was completed as part of the planned application process for m.b. IPA funding. The Institutional Assessment tool was used and further refined during and following the preparation of the Albania and Moldova projects.

Knowledge Management

Objectives

To facilitate the transfer of knowledge and expertise in financial reporting to partners in the REPARIS countries

To provide information on the REPARIS program to the program's other stakeholders, including donors and other bodies involved in financial reporting.

Activities

The CFRR has continued to expand the material on its public website (www.worldbank.org/cfrr) and added forty new pages in 2011. The website's REPARIS section (www.worldbank.org/reparis) provides comprehensive event summaries, presentation materials and videos for download. In addition, the public site offers updates on the latest regulatory developments, resources on a range of financial reporting topics and an expanding



range of country-specific materials. To keep partners informed, the CFRR sends out regular newsletters covering its activities as a whole (sent to over 1500 recipients) and also more targeted e-newsletters directed to the members of individual CoPs. The CFRR also published an updated edition of its guide “Corporate sector accounting and auditing in the *acquis communautaire*” in September 2011. The guide is available for download from the CFRR website.

The CFRR has made extensive use of the Global Development Learning Network (GDLN), a World Bank-coordinated partnership of learning centers, to hold distance learning events under the REPARIS program in 2011. Combined with the use of other systems for holding meetings virtually, these have allowed a wider range of participants and speakers to contribute and benefit from the specialist expertise and technical advice provided in the GDLN events. The CFRR organized eight GDLN events in 2011.

Outcomes

The site attracted more than 50,000 page views during the year, nearly 14% more than in 2010. 17,000 daily unique users visited the site in 2011, nearly 60% higher than a year earlier. REPARIS countries accounted for six out of the ten most popular locations for visitors to the CFRR website in 2011. However, the fourth quarter has shown a relatively significant decline in traffic compared with the fourth quarter in 2010 primarily because of fewer events and reduced marketing. Measures to improve traffic are currently being analyzed and discussed. The newsletter has secured a good level of readership and is widely distributed among program participants and stakeholder.

Component 5 - Program Management and Trust Fund Administration

Objectives

To coordinate and manage all Program activities and to administer the REPARIS Trust Fund;

To liaise with donors to the program.

Activities

The CFRR agreed with donors on a revised budget and activity plan for 2011 in March 2011. The program plan for 2012 was agreed with donors in November 2011.

CFRR staff have presented the proposed EU-REPARIS program to representatives of the EC’s DG ELARG and DG MARKT, members of IPA coordinating committees in each of the candidate and potential candidate countries and, in a meeting organized by the OECD and the Regional Co-operation Council in December 2011, to private-sector experts from the region. Ongoing discussions with the EC and other stakeholder are taking place.

Amendment letters for additional contributions by Luxembourg (EUR 600,000) and the Austrian Development Agency (EUR 362,000) were signed.

Outcomes

The CFRR produced two progress reports for 2011 including a mid-year and a year-end report covering REPARIS’s activities between January and December 2011 and the program plan for 2012.

Both the European Commission and potential participants have expressed support for considering REPARIS for multi-beneficiary IPA. A decision on whether REPARIS will obtain funding from the current round of multi-beneficiary IPA is expected in 2012.

The revised budget and the subsequent realignment of activities as well as prudent approach have led to significant savings which provide financial flexibility needed for the current transition time and the discussions about the future and continuation of REPARIS.

Additional donor contribution by Luxembourg in addition to the planned contribution by the Austrian Development Agency provides further financial flexibility and helps strengthen the program’s aspects of financial regulation.



Progress by Country

The following table presents the main areas where countries made progress during 2011.

Country	Main areas of progress in 2011
Albania	The national TA project was launched in April 2011. The procurement process for the main project components is near completion. The project activities are structured to complement Albania's participation in the regional REPARIS program.
Bosnia and Herzegovina	<p>The 2010 Bosnia and Herzegovina A&A ROSC was successfully approved by the two Bosnia and Herzegovina Entities and the State-level Ministry of Finance and Treasury. It was published in June 2011.</p> <p>The State- and Entity-level ministerial authorities confirmed their commitment to reform and their plans to implement the ROSC recommendations during a workshop organized by the CFRR in Sarajevo in June 2011. The Minister of Finance of the Federation of Bosnia and Herzegovina, a Deputy Governor of the Central Bank and three Deputy Ministers of Finance participated. All supervisory bodies were represented.</p> <p>The Entity-level MoFs and beneficiaries confirmed their support for a national corporate financial reporting project. IPA funding for the project was, however, postponed from 2011 to 2012. The priority level for IPA funding remains to be confirmed during the 2012 IPA selection process.</p> <p>The BiH Office of European Integration prepared a concordance table with the Eighth Directive and a document reviewing the implementation of the Fourth and Seventh Directive.</p>
Croatia	<p>With CFRR support, Croatia finalized the implementation of an IDF Grant to assist the systems of quality assurance and public oversight of audit to start their operations. The main deliverables were operations manuals and training.</p> <p>The European Commission confirmed its recognition that the Public Oversight System in Croatia was equivalent to those operating in existing EU member states. The EC 2011 progress report further reported that Croatia is largely aligned with the <i>acquis</i> in the areas of accounting and auditing. Croatia will be a new EU Member State in July 2013.</p> <p>A board member from the Croatian Chamber of Auditors participated to the first global conference on Accountancy Development for Results in Washington organized by the World Bank, which convened high-level participants, including government officials, accounting professionals, and international organizations.</p>
Kosovo	A new law on financial reporting was tabled in the Parliament; adoption of the law should result in some progress towards alignment with the <i>acquis</i> and to strengthening the financial reporting infrastructure.



Country	Main areas of progress in 2011
	<p>A successful international conference on financial reporting reform and capacity building was organized by SCAAK with assistance from the CFRR.</p> <p>In meetings with the Minister for European Integration and Deputy Prime Minister, the CFRR received support for REPARIS activities.</p>
Macedonia	<p>The Institute of Certified Auditors (ICA) completed its first quality assurance cycle and published the results. ICA presented its Quality Assurance manual to an AOCOP workshop as a model to be considered by others in the region.</p> <p>The IFRS for SMEs standard was adopted and translated. Implementation has begun.</p>
Moldova	<p>The preparation of a national TA program is near completion. Areas of intervention have been agreed with government counterparts and a draft project appraisal document has been prepared. However, finding funding for the national TA project remains a challenge and the CFRR team will continue working with the Government on this. Furthermore, assistance is given to a major university to align its curricula with good international practice.</p>
Montenegro	<p>The CFRR facilitated the induction of the Institute of Certified Accountants of Montenegro (ICAM) to IFAC and participated with IFAC in a CPD for auditors in Podgorica.</p> <p>The CFRR agreed an action plan for in-country engagement and technical support with the Minister of Finance, and is now actively engaged with the Deputy Minister for Finance and her staff in assisting in the preparation of new laws on corporate financial reporting and the statutory audit.</p>
Serbia	<p>With the support of an IDF grant and supervision/technical advice from CFRR, a country action plan for implementation of corporate financial reporting reforms was completed.</p> <p>Technical advice was provided to enable the Chamber of Auditors to complete the IFAC Compliance Program and prepare for accession to IFAC, and the CFRR continued its support and cooperation with the Serbian Association of Accountants and Auditors (SRRS) through attendance and presentation at the annual symposium of SRRS members in Zlatibor, Serbia.</p> <p>The Ministry of Finance is engaged with the CFRR in developing new laws to achieve a greater alignment with the <i>acquis</i>. The Ministry of Integration has expressed strong support for the program.</p>

Lessons Learned and Risk Management

Since the start of the program, the countries participating in RERARIS have made demonstrable progress in implementing financial reporting reforms. The annex gives the most important examples of recent progress. However, the transposition and effective implementation of the *acquis communautaire* is a substantial medium-term undertaking, and the participating countries are engaged closely with the Centre as they seek to make progress towards addressing the most significant remaining challenges:

- Adopting laws that achieve a substantial degree of alignment with the *acquis communautaire*. This will be aided by the preparation of comprehensive concordance tables;
- Creating effective institutional arrangements for public oversight and quality assurance for audits and auditors and then developing the capacity of the public oversight bodies to carry out this work;
- Developing a sustainable professional education scheme for statutory auditors and accountants.

One key finding that emerged from putting together the REPARIS results framework is that participating countries need to increase their capacity to carry out reforms in order to achieve the central aim of the REPARIS program (the implementation of sustainable financial reporting reforms). This means that the REPARIS program needs to focus on actions to develop this capacity, in addition to transferring knowledge of best practice in financial reporting. In turn, strengthening reform capacity requires timely and tailored support for participants to deal with the obstacles to progress in each country. This lesson further underlines the importance of the program of in-country engagement.

Another issue that emerged is the importance of assembling a broader coalition of support at the national level. This is a pre-condition for securing funding for country-level projects for the implementation of reforms. In the current difficult financial environment, such funding is often only available from national IPA sources. The CFRR will now put greater emphasis on building support for REPARIS among those making decisions on the allocation of national IPA funds. These officials are usually located in the ministries coordinating EU accession efforts, rather than the ministries of finance and economy with which the CFRR already has strong links. The Centre will further develop the program of in-country engagement in order to broaden the base of support for REPARIS among this broader group of decision-makers.

In order to make further progress within the limited resources available to the program, the CFRR will make more use of its partnerships with international actors (such as IFAC, the IFRS Foundation and the European Commission) and also of the possibilities for working together with national bodies. For example, the joint conference held with SCAAK in Kosovo allowed the EduCoP to reach out to a wider audience. Wherever possible, the Centre will also seek to use resources from elsewhere in the World Bank, such as country program budgets and WB-funded A&A ROSC assessments, as complements to REPARIS funds.

Finally, in response to feedback from participants in recent events, the CFRR will make more use of practical examples and case studies in face-to-face workshops and GDLN seminars. It will also place more emphasis on using the experiences of the REPARIS countries themselves and the “new” EU member states in designing the content of events, as participants have found these “learning from their peers” sessions particularly relevant and useful. The CFRR will build on this experience in designing future REPARIS events.

Outlook for 2012

The planned program of activities for 2012 was agreed with the donors (see the 2012 REPARIS planning document for full details) in November 2011. The main elements of the revised program for 2012 are set out below.



Component 1

A one-day Ministerial Conference, bringing together the most senior policy-makers in the region, will be held in Vienna on 31 May 2012. The conference's main objectives are to ensure ministers' continued commitment to the program, and to maintain the overall momentum of reform to corporate financial reporting. The conference will also provide an opportunity to bring ministers up to date with the most recent global and European developments in financial reporting and with the progress of the program.

The CFRR plans to hold the annual Senior Officials Workshop in October or November 2012. This will be primarily targeted at deputy ministers of finance and is intended to be a one and a half-day event including presentations, expert panel sessions and group discussions. The main areas of discussion will be following up on the Ministerial Conference and briefings on the latest developments in the EU *acquis* and financial reporting and regulation, as well as taking stock of progress in implementing reforms.

In-country engagement missions will continue in 2012. These will provide valuable opportunities for CFRR staff to engage with a broader group of national stakeholders. CFRR country relationship managers are expected to visit each REPARIS beneficiary country twice during 2012 to follow up on country-specific issues, ensure a productive country-specific dialogue, and, where needed, to provide customized analysis and advice.

Components 2 and 3

The structure of the Communities of Practice (CoPs) which have been responsible for most of the regional activities under Components 2 and 3 will be modified in 2012. The focus of the EduCoP will be broadened to address the wider capacity-building challenges that the participating countries face in implementing the *acquis communautaire*. A new Corporate Financial Reporting CoP (CFRCoP) will bring together the FRCoP and the AOCOP to focus on assisting regulators and policy makers to develop policies, regulations and institutional arrangements for corporate financial reporting that comply with the *acquis communautaire* and the latest developments in international reporting standards and regulation.

The EduCoP will hold two face-to-face workshops in 2012, including a Train-the Trainers workshop on International Standards on Auditing (ISA), and two virtual seminars (GDLN events). Throughout the year the EduCoP will continue to provide technical support, by email, telephone and visits to support the professional bodies, regulators and universities in the REPARIS region. The specific issues to be dealt with vary from country to country, but generic issues will include providing updates on revisions to IES, supporting the development and delivery of CPD, continuing the program to promote mutual recognition of CPD and IPD and supporting national adoption of IES.

With the increased emphasis on in-country implementation, the new CFRCoP, which will have a high degree of continuity with the AOCOP and the FRCoP, will focus on aligning national laws and regulations with the EU *acquis*. Members of the CFR CoP will work together to produce high quality concordance tables. These will be regularly updated so that they will provide an ongoing measure of the extent of alignment of national accounting and auditing laws and institutional frameworks with the EU *acquis*. The CFRCoP plans to hold three workshops and several GDLN sessions in 2012.

Participants in the IFRS for Financial Regulators Seminar Series have expressed a need for more emphasis on IFRS training and the exchange of experiences from neighboring countries. In response to this request the CFRR will adopt a more collaborative approach, similar to a Community of Practice, for this activity in 2012. The CFRR will organize two face-to-face workshops and two virtual seminars in 2012 under this activity. In addition to the workshops, the CFRR, in collaboration with central banks and banks and insurance supervisory agencies, will produce a study of the relationship between financial supervisors and the auditors of supervised entities.

Components 4 and 5

The CFRR will carry forward the strategy agreed with the donors to seek longer-term funding for the proposed EU REPARIS program from the EU Regional Instrument for Pre Accession (Regional IPA), with the aim of



securing Regional IPA funding from late 2013. If this application is unsuccessful, a new application will be made in 2012 for the next round of IPA funding.

The CFRR will assist the Croatian Ministry of Finance in drafting, editing and publishing a booklet describing how Croatia reformed its framework of financial reporting in order to meet the requirements of the EU *acquis*. The booklet is expected to be published around the time that Croatia joins the EU in July 2013.

In the light of the uncertainties surrounding the availability of regional IPA funding, the CFRR, in close consultation with current REPARIS donors, will continue to adopt a prudent approach to managing the funds provided for REPARIS in 2012. The CFRR will seek to maintain the program's momentum, while aiming to ensure that REPARIS will be able to operate effectively in the period before any new regional IPA funds become available.

With the World Bank moving to a new Content Management System (CMS) for its websites, the CFRR website will be redesigned to take full advantage of the new system's possibilities, making the website more user friendly. Measures to increase traffic are currently being discussed.

Planning for 2013

The CFRR will prepare a planning document setting out the activities to be held under REPARIS in 2013 and will share this with donors in October 2012. This will give donors time to comment and the CFRR to revise the document before the start of the new calendar year. With regard to the potential extension of the program, by the end of 2012, the CFRR will be in a position to implement alternative scenarios for continuing the REPARIS program for the core REPARIS beneficiary group beyond 2014 and for extending REPARIS to a broader group of countries. Which scenario is adopted will depend on decisions taken by the EU and other potential sources of funding.



2. Corporate Financial Reporting Enhancement Project (CFREP) in Albania

Project Objectives and Administrative Arrangements

The Corporate Financial Reporting Enhancement Project (CFREP) is part of the REPARIS program, and supports the implementation of the first phase of the Albanian Government's Country Strategy and Action Plan (CAP) drawn up in 2009 to enhance corporate financial reporting in Albania. The project will be implemented over three years (2011-2013) under a recipient-executed trust fund of EUR 1.25 mln, financed by REPARIS.

The Project Development Objective (PDO) is to create a transparent policy environment and effective institutional framework for corporate financial reporting in line with international practices, aligned with the *acquis communautaire*.

The expected results from the project are: (a) improved legitimacy of the legal framework in the area of corporate financial reporting by aligning it with the *acquis communautaire*; (b) strengthened standard setting by the National Accounting Council (NAC); (c) improved standard setting and supervision of auditing practices by the audit oversight system; (d) improved skills for compliance with new professional standards through revisions and updates of accounting and auditing curricula for university education and professional certification; and (e) improved management of reforms in corporate financial reporting by the National Steering Committee and the Ministry of Finance (MoF). The project is organized under five components, each covering one of these objectives.

Project implementation is the responsibility of the MoF, assisted by the Reform Implementation Group (RIG), comprising representatives of the main stakeholders, including the National Accounting Council, Public Supervisory Board, and IEKA (chamber of auditors). The Central Finance and Contracting Unit (CFCU) in the MoF is in charge of procurement and financial administration activities. The National Steering Committee of the Financial Reporting Reform has an overall oversight role on the project

Administrative Arrangements

The project became active on March 28, 2011 after the recipient-executed Grant Agreement, which was signed by the World Bank Country Director for the Western Balkans on February 24, 2011, was countersigned by the Albanian Minister of Finance. The project was officially launched by the Ministry of Finance on April 13, 2011 at a workshop attended by a wide audience comprised of project beneficiaries, other stakeholders involved in corporate financial reporting reforms in the country, and representatives of the Swiss authorities and other development partners active in Albania. The Procurement Plan was finalized by the CFCU and approved by the RIG in May 2011; it received a "no objection" from the World Bank.

The project envisages commissioning a local consultant to take a coordinating role during project implementation, and an international consultant to advise the RIG and stakeholders on strategic issues relating to project implementation. The terms of Reference (TORs) for both consultants were approved by the RIG in May and have been published by the CFCU. Currently the evaluation committees are reviewing the CVs of candidates who expressed interest in these assignments. The contracts for the consultants are expected to be signed during the third quarter of 2011.

The implementation support of the project is undertaken through REPARIS component 4 and covers project implementation and management, procurement and financial management support, as well as other implementation advice related to technical content of the project activities.



Progress by Component

Component 1: Improving the legal framework in the area of corporate financial reporting

This component involves technical assistance and workshops to establish a sound basis for corporate financial reporting legislation in the light of the EU *acquis communautaire*. The Ministry of Finance, the beneficiary of this component, is preparing the TORs for the consultancy firm that will implement the activities foreseen under this component. The TORs were finalized in the third quarter of 2011 and procurement is launched. Contract signing is expected in March 2012.

Component 2: Strengthening the Capacity of the National Accounting Council

Under this component, the capacity of the National Accounting Council will be strengthened, as well as processes for the setting and endorsement of financial reporting standards, through technical assistance and training.

The National Accounting Council, the beneficiary of this component, prepared the TORs for the consultancy firm that will be hired to implement the activities foreseen under this component. The TORs were finalized at the end of 2011, procurement process is underway. Contract signing is expected in March 2012.

Component 3: Establishment of an Audit Oversight System

Under this component, the project will provide technical assistance, workshops and tools to support strengthening of the recently established public audit oversight system. The beneficiaries are the Public Oversight Board (POB) and IEKA.

IEKA and the POB jointly prepared the TORs for the consultancy services that will be hired to implement the activities foreseen under this component. The procurement was launched at the end of 2011. Contract signing is expected in March-April 2012.

Component 4: Improving accounting and auditing curricula for university education and professional certification

Under this component, the project will provide technical assistance and workshops to assist universities, professional bodies and the examination center (to be created under the MoF) to build the foundations for sustainable curricula for accounting and auditing education and the certification of accountants and auditors.

The work for implementation for this component has started. The preparation of TORs was finalized in the quarter IV of 2011. Procurement is underway and contract signing for technical assistance assignment is expected in April-May 2012.

Component 5: Project management, strengthening reform capacity, and monitoring and evaluation

This component includes the necessary operating costs related to project management, including the overall management and coordination of reforms and project-related fiduciary activities (procurement and financial management).

Activities and funds spent under this component are currently minimal as they are linked to the stage of implementation of other components. The selection and hiring process for local and international consultants was completed and the project has full administrative capacity (*see administrative arrangements*).

Lessons Learned and Risk Management

The project launch was delayed due to the complexity of the legal procedures required to prepare the grant agreement and trust fund arrangements. This delay has required increased efforts to accelerate the project's implementation.



Although there is a commitment by the local stakeholders to the project, they lack the capacity to produce well elaborated Terms of Reference. In response, the CFRR provided detailed guidance on the TORs drafting process to the local stakeholders. This was a successful exercise and enabled internalizing the TORs and expected tasks by beneficiary institutions and stakeholders. In addition, the international strategic adviser will provide technical support in TORs drafting as well as monitoring the quality of deliverables.

Outlook for 2012

Several project activities have been initiated; however, the actual delivery of the majority of tasks will start in 2012 once procurement has been completed. The process of developing the TORs and detailed description of tasks to be delivered by international technical assistance enabled the development of strong commitment and to build a sound understanding of stakeholders with regard to delivery plans and expectations. Procurement for four components is expected to be finalized in first 6 months of 2012: Component 1 (legislation), Component 2 (national accounting standards setter), Component 3 (audit public oversight), and Component 4 (accountancy education). Delivery of some tasks is expected to start in the second half of 2012.

3. Financial Summary

Trust Fund - Movements and Balances

Below table shows movements and balances in the REPARIS MDTF including all regional components as well as the Albania country project. The table indicates a total carry-over balance of EUR 297,620 being available at the end of program year 2010. New donor allocations and accrued investment income replenished the program significantly for the remaining program years. Disbursements during program year 2011 amounted to a total of EUR 1,196,059 leading to a remaining balance of EUR 3,301,598 for the period 2012-2014. Note: The balance does not reflect donor contributions made in 2012.

	Balance 1 Jan 2011	New Donor Contributions**	Allocations to disbursing funds	Investment Income	Disbursements Jan-Dec 2011	Balance 31 Dec 2011
	a	b	c	d	e	a+b+c+d-e
Component 1	69,944		123,835		129,564	64,215
Component 2	50,395		230,380		181,680	99,095
Component 3	57,504		811,685		402,220	466,969
Component 4	42,427		365,750		179,210	228,967
Component 5	58,868		197,823		117,182	139,509
Subtotal - regional	279,138		1,729,473		1,009,856	998,755
Albania	0		1,250,000		110,399	1,139,601
Total Disbursing funds	279,138		2,979,473		1,120,255	2,138,356
Main fund*	18,482	4,152,181	(2,979,473)	47,856	75,804	1,163,242
Total	297,620	4,152,181		47,856	1,196,059	3,301,598

* Main fund handles investment income, donor contributions not yet transferred to disbursing funds, and the 2% fee

** New donor contributions (in k EUR): Austrian Development Agency: 2,062; Austrian Finance Ministry: 1,000; SECO: 890.2; Gov. of Luxembourg: 200

Planned and Actual Disbursements

Below table compares the budget, disbursements and unspent funds in the disbursing funds for regional activities and the Albania country project. The table indicates an initial budget which was agreed on per Program Plan 2011, however, financial planning considerations led to a revised budget which was agreed on with donors in March 2011, and which is shown below. Further cost and planning considerations led to improved use of funds, and as a consequence to lower incurred costs than budgeted. In this context it shall be noted that some costs incurred at the end of 2011 were not processed and paid for before the end of the program year, and are therefore not reflected in the disbursements breakdown. Overall, the remaining balance provides additional flexibility until the future of REPARIS beyond 2014 has been clarified, i.e. planned EU-REPARIS.



	Budget Jan-Dec 2011	Adjusted Budget ~ Jan-Dec 2011	Change	Disbursements Jan-Dec 2011	Unspent budget 31 Dec 2011
	a	b	b-a	c	b-c
Component 1	123,835	119,394	(4,441)	129,564	-10,170
Component 2	230,380	199,225	(31,155)	181,680	17,545
Component 3	811,685	660,631	(151,054)	402,220	258,411
Component 4	365,750	303,633	(62,117)	179,210	124,423
Component 5	197,823	192,210	(5,613)	117,182	75,028
Subtotal - regional	1,729,473	1,475,093	(254,380)	1,009,856	465,237
Albania	450,000	450,000	0	110,399	339,601
Total Disbursing Funds	2,179,473	1,925,093	(254,380)	1,120,255	804,838
~ Budget adjustment per agreement of April 2011					

Disbursements - Regional Activities Components 1 - 5

Below table provides a detailed breakdown of expenditures by cost categories in the regional components including staff and consultants, travel and transport, meetings and other.

Components	C1	C2	C3	C4	C5	Total
Staff and Consultants	49,649	95,908	214,292	151,064	83,036	593,949
Travel and Transport	15,966	6,186	19,083	22,351	4,679	68,265
Meetings	62,238	79,551	165,207	4,594		311,590
Other^	1,712	35	3,638	1,201	29,467	36,053
Total	129,564	181,680	402,220	179,210	117,182	1,009,856
^ C5 : includes office operating and maintenance costs						

Disbursements – CFREP Albania

No expenses have been charged to the trust fund yet. EUR 100,000 has been disbursed as an initial deposit to cover forthcoming expenses.

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