



THE WORLD BANK
CENTRE FOR
FINANCIAL REPORTING REFORM

REPARIS


Road to Europe: Program of Accounting
Reform and Institutional Strengthening

Multi-Donor Trust Fund for Regional Programs


Progress Report

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List of Acronyms

ADA	Austrian Development Agency	ICE	In-Country Engagement
ADI	Accounting Development Index	IDF	Institutional Development Fund
A&A	Accounting and Auditing	IEKA	Albanian Institute of Authorized Auditors
ADI	Accountancy Development Index	IES	International Education Standards for Professional Accountants
AO	Audit and Oversight	IFAC	International Federation of Accountants
AOCOP	Audit and Oversight Community of Practice	IFRS	International Financial Reporting Standards
BCBS	Basel Committee on Banking Supervision	IPA	Instrument for Pre-Accession
BiH	Bosnia and Herzegovina	ISA	International Standards on Auditing
CAP	Country Action Plan	KM	Knowledge Management
CCA	Croatian Chamber of Auditors	MDTF	Multi-Donor Trust Fund
CDRF	Capacity Development Results Framework	M&E	Monitoring and Evaluation
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
DDC	Dutch Development Cooperation	REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
DNC	Developing Nations Committee of IFAC	ROSC	Report on the Observance of Standards and Codes
EC	European Commission	SAD	Statutory Audit Directive
EduCoP	Accounting Education Community of Practice	SCAAK	Society of Certified Accountants and Auditors of Kosovo
EFRAG	European Financial Reporting Advisory Group	SECO	Swiss State Secretariat for Economic Affairs
EU	European Union	SME	Small or Medium-sized Enterprise
FEE	Federation of European Accountants	UNCTAD	United Nations Conference on Trade and Development
FR	Financial Reporting	USAID	United States Agency for International Development
FRCOP	Financial Reporting Community of Practice	WBI	World Bank Institute
FY10	Fiscal Year 2010		
GDLN	Global Development Learning Network		
IAASB	International Auditing and Assurance Standards Board		
IAESB	International Accounting Education Standards Board		
IAIS	International Association of Insurance Supervisors		



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Executive Summary

Program Objectives

The REPARIS program aims to assist the participating countries¹ in adopting and implementing effective corporate financial reporting systems, which are aligned to the requirements of the EU *acquis communautaire*.

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 effectively and economically. 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, oversee the CFRR's work on REPARIS.

Results Highlights

In the relatively short life of the program, the countries and their CFR stakeholders have formed a common purpose, identified shared challenges and started working towards resolving them. All countries are actively engaged in the program, and the activities organized under REPARIS consistently receive excellent feedback from participants.

The European Commission's (EC) Progress Reports, published in November of each year, have showed progress made by Macedonia, Croatia, Moldova, Montenegro and Albania in developing their financial reporting systems. Serbia and Kosovo are in the process of updating their accounting and auditing laws.

REPARIS has clearly contributed to some of this progress. For example, those drafting the new accounting law in Kosovo have received inputs from the CFRR and the FRCoP on the new law's content. Evidence of a direct contribution of REPARIS is clearest in the field of Accounting Education where advice from CFRR experts and the EduCoP has helped professional bodies in several countries to meet the membership requirements of the International Federation of Accountants (IFAC) and has also assisted others in obtaining up-to-date training materials in local languages. The FRCoP has helped several countries set up arrangements to obtain translations of IFRS – including any future updates – into their own languages. The table below gives a concise summary of the main activities carried out under each main component of REPARIS and sets out the main results observed in the REPARIS countries.

Lessons Learned

Sustainable reforms require strong ownership on the part of Government, clear laws that implement the *acquis communautaire* and effective implementation mechanisms. In order to increase the impact of the reform momentum initiative within the countries, the CFRR has increased the emphasis on engaging with a wider number of senior officials within each country under an in-country engagement strategy from 2011. With three different examples of adapted versions of imported professional certification and licensing systems operating across the 8 countries, operated in 4 different languages, and hugely underfunded public universities, the accounting and

¹ Albania, Bosnia & Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro and Serbia.

auditing education activity has had to develop a strong focus on supporting a common approach based on international education standards, and supplementing this with a technical advice service and highly targeted interventions to leverage good practice, develop shareable tools and resources and help national stakeholders to address the underdevelopment of university education.

All Communities of Practice rely on feedback from participants, which has led to an increase in the use of practical examples and case studies in the workshops and GDLN events. The CFRR is also putting 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 continuously utilizes participant feedback, peer reviews and external expert review, as well as senior management participation in planning and operations to seek ways of achieving greater impact for the program from the limited resources available. During 2010 the number of speakers and participants who have participated remotely via emerging technologies such as Adobe Connect has increased.

The global financial crisis has highlighted the greater urgency for REPARIS countries to implement the reforms, but has also reduced the pool of potential donor and national funds available for national reform efforts to support the transposition and effective implementation of the *acquis*. In response the CFRR has adopted a strategy of seeking national and regional pre-accession funding from the EU (IPA) to support ongoing reform efforts.

Summary of activity and results by component

Activity	Key inputs and outputs July 2009-Dec 2010	Key results to date
Component 1: 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.	Ministerial Conference (Vienna, 2009); Workshops for Deputy Ministers and Senior Officials (2009, Dubrovnik; 2010 Chisinau and Brussels) These events were addressed by senior EU officials and politicians, representatives of global standard setters, IFAC, FEE, EFRAG and EU professional bodies.	In several countries new laws on financial reporting have been proposed (e.g. Kosovo’s new A&A law passed the first step of the legislative process in October 2010). Senior officials learned from Croatia’s experience of successfully transposing the <i>acquis</i> .
Component 2: 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.	The Accounting Education Community of Practice (EduCoP), formed in April 2009, has held 4 workshops and a GDLN session. EduCoP members have studied good practice in delivering accounting education and agreed on a common approach to the development of educational programs.	Kosovo and Serbia signed agreements with EU member country organizations for updated professional education materials. Countries shared common language resources – Albania with Kosovo; Serbia with Montenegro and BiH. Supported by REPARIS, professional bodies from BiH, Macedonia and Croatia (2010) were admitted as members of IFAC.
Component 3.1 Financial Reporting : aims to promote the adoption and implementation of corporate financial reporting systems and requirements which are aligned with the <i>acquis</i> and	The Financial Reporting Community of Practice (FRCoP) was formed in November 2009 and has held 3 workshops and 3 GDLN events. The community of practice approach is complemented by targeted technical	FRCoP members understand better the needs of financial statements users, the requirements of the EU Directives, and the process for transposing the <i>acquis</i> . Croatia shared translations of IFRS



Activity	Key inputs and outputs July 2009-Dec 2010	Key results to date
meet the needs of investors and other users of financial statements.	assistance and policy advice through in-country engagement.	with Bosnia and Herzegovina. Several countries are considering adopting the IFRS for SMEs.
Component 3.2: Audit and Oversight: aims to promote the quality of the external audit function by assisting in the implementation of the Statutory Audit Directive (SAD).	The Audit and Oversight Community of Practice (AOCOP) was formed in October 2009 and has held 4 workshops. To gain better insights on implementing the SAD, members formed three thematic workgroups on public oversight, quality assurance (QA) and sanctions & discipline.	AOCOP members have gained an in-depth understanding of the SAD. Several countries have started to implement QA systems. The EC has formally acknowledged that the Croatian oversight system meets EU requirements. Macedonia has established an audit QA system.
Component 3.3: IFRS for Regulators aims to help financial sector regulators to enhance the use of international financial reporting standards for regulatory purposes	Three seminars and one GDLN event were organized, starting in December 2009, to provide up-to-date information on recent policy developments in the field of corporate financial reporting, especially as they relate to prudential concerns, e.g. IFRS 9 standard, Basel III accord.	Participants understand better IFRS 9 and other policy developments, raising their technical capacity to enforce regulatory standards. Participants have shared experiences, e.g. of how the National Bank of Macedonia uses IFRS in its role as a prudential regulator.
Component 4.1: Results Framework aims to develop methods for evaluating national and regional reform programs in financial reporting and for assessing the level of development of financial reporting.	Work with the World Bank Institute (WBI) to develop a regional results framework and an institutional assessment tool piloted in Moldova. CFRR participates in UNCTAD's working group on the development of performance management indicators for financial reporting reforms.	Secured contribution of WBI experts at no cost. Draft tool for institutional assessment informed the preparation of the Albania country project. Contribution to the UNCTAD working group on the development of performance indicators.
Component 4.2 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.	Supervision and implementation support to projects in Croatia, Macedonia and Serbia. Preparation of the update of the 2004 ROSC in Bosnia and Herzegovina. Support to the preparation of the Albania country project.	National reform projects successfully completed in Croatia leading to EU acknowledgement of their oversight mechanisms. Additional funds (USD 1.75 million) secured and completion of design and initiation of project in Albania.
Component 4.3: Knowledge Management aims to ensure that the lessons learned and resources developed in the REPARIS program are shared throughout the region.	All presentations at REPARIS events and a wide range of other materials are posted to the CFRR website. Newsletters, Wikis and other tools keep participants up to date and help them share insights.	Total of 120 webpages. Monthly website page views increased from about 1,350 to 6,800 (total of 51,000 over the period). Unique visitors per month rose from about 300 to 2,200 (total of 12,200 over the period).
Component 5: Program management and administration , refers to the administration of the REPARIS program and trust fund	Coordination and management of program activities. Work with donors to agree work plans and to report on progress. Meetings with EC representatives to discuss multi-beneficiary IPA funding for REPARIS.	Conversion of the Multi-Donor Trust Fund into a hybrid mechanism and streamlining of legal documents have helped reduce costs. Additional donors joined the MDTF. EC expressed initial interest in supporting REPARIS.

1. Program Progress and Results

Program Objectives

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*.

Before the REPARIS program was set up, financial reporting reform in South-East Europe was predominantly a national process. Progress in reforms depended exclusively on national factors and was often intermittent, quickening for a time in response to external pressures, such as the preparation of an A&A ROSC, but often quickly running out of momentum as policy-makers' commitment to reform weakened. This led to wide variations between the countries of the region in the quality of their financial reporting frameworks and, as the countries shared a common ultimate objective, wasteful duplication in programs of technical assistance.

The REPARIS program aims to assist the 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.

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 following descriptions of progress generally concentrate on the specifically regional aspects of financial reporting reform which are the main focus of REPARIS.

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

The activities under this component over the reporting period were a Ministerial Conference in December 2009, and intensive workshops with Deputy Ministers and Senior Officials in 2009 (Croatia) and 2010 (Moldova and, most recently, Brussels).

These events aim to keep key decision-makers up to date with the latest developments in financial reporting and the EU *acquis communautaire*. They also allow the participants to learn from the

experiences of their peers in the region and to build up relationships with policy-makers in other countries. Keynote speakers at the events include EU politicians, European Commission officials responsible for relevant parts of the *acquis*, representatives of global standard setters in financial reporting, auditing and accounting education, senior figures from FEE, IFAC, EFRAG and other European professional bodies, as well as professors from leading universities.

A more detailed description of the Ministerial conference and Senior Officials' workshops, including the workshop held in Brussels in October 2010, can be found on the REPARIS website: www.worldbank.org/reparis

Outcomes

The activities in this component have succeeded in maintaining the active and public commitment of the Ministries of Finance of participating countries to pursuing financial reporting reforms which are aligned with the *acquis communautaire*. There has been clear progress in financial reporting reforms in several of the countries participating in REPARIS:

- New laws relating to corporate financial reporting have been initiated/or adopted in Macedonia, and Kosovo. New laws relating to corporate financial reporting are in their initial stages of preparation in Montenegro, Serbia and Albania.

Increased awareness among senior policy-makers of the importance of financial reporting reform generated by the REPARIS program has played an important role in this process. More directly, the emphasis placed by this component of REPARIS on the regional aspect of financial reporting reform has led to senior officials from Croatia sharing their experience of successful transposition of the *acquis* with the other REPARIS countries. The EC progress reports show differential rates of progress in the 8 countries, but a comparison of the EC progress reports in the periods before and after REPARIS clearly demonstrates a significant increase in reform activity in the area of corporate financial reporting.

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) was formed in April 2009 and held 4 workshops and one GDLN event during the reporting period. Stakeholders within the group have also accessed the CFRR's technical advice service, tailored to their specific needs.

EduCoP members have shared information on existing systems of accounting education and studied examples of best practice in delivering programs of accounting education. They have agreed on a common approach to the development of professional qualification, certification and licensing systems, together with supporting educational materials and programs. The group has focused on implementation of International Accounting Education standards, and the complimentary requirements of the EU 8th Company law Directive relating to statutory auditors. The CFRR has facilitated the development of resources to support Continuous Professional Development (CPD), which aims to increase the knowledge/skills of persons who qualified under the previous economic system.

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

Outcomes

The most dynamic constituents within the Accounting Education Community of Practice (EduCoP) have been the professional bodies for accountants and auditors. They are capable of making decisions and implementing them much more quickly than their counterparts at Universities or Government/Regulatory bodies. The EduCoP has worked with the professional bodies in improving their educational requirements and activities, and an early success indicator for this work is the admission of Macedonia, both entities of BiH and Croatia to membership of the International Federation of Accountants (IFAC): Direct technical assistance in the IFAC accession process was provided to Macedonia and BiH under the REPARIS program.

Membership in IFAC is not an end in itself. Sustainable reform requires that Universities introduce or upgrade their accounting education offerings, in line with EU best practice and in collaboration with the profession *and* also meet the requirements for auditor education contained in the Statutory Audit Directive which are enforced by the national audit regulator (Public oversight system or equivalent).

The EduCoP stakeholders (profession, universities, regulators/government) have collectively gained a deeper understanding of international standards and best practice in the field of accounting education. Though reform of the structure of Universities is seen as a long-term endeavor, the EduCoP has formed subject-based working groups which include the Universities and regulators, to develop and deliver shareable educational resources that can be used across the region.

Recent examples of progress in accounting education also include:

- Sharing of updated accounting education materials and joint CPD activities within the Albanian speaking areas, with Albanian professors providing CPD in Pristina and SCAAK (Kosovo) sharing updated educational materials with IEKA (Albania) and University professors. Similar arrangements are in place within the Serbian speaking parts of the region with Serbia, BiH and Montenegro co-operating and sharing materials.
- Kosovo and Serbia have signed agreements for the provision of updated modern training materials to support professional education programs. Importantly, these are long-term agreements so that materials will be regularly updated to reflect changes in IFRS and other developments.
- The University of Pristina has inaugurated a new faculty of accounting, and the new University of Prizren has launched an accounting department.
- All of the countries that are initiating laws on Auditing have included plans to ensure that the education requirements for statutory auditors are in accordance with the Statutory Audit Directive.

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) was formally launched in November 2009. FRCoP members, who comprise senior officials from ministries of finance, standard setters, and universities, identified two workstreams for the group: (i) the application of financial reporting requirements for different entities, (ii) The implementation of IFRS and related issues, including translation and training. During 2009-2010 the FRCoP met three times in Vienna: in November 2009, March 2010 and September 2010. To complement these meetings, the CFRR organized three distance learning events for broader audiences. These have all been well attended, with the most recent event, in November 2010, attracting more than 70 participants.

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

Outcomes

Participants have gained a better understanding of the needs of users of general purpose financial statements and a shared awareness of what needs to be done to align accounting laws with the relevant provisions of the *acquis communautaire*. Participation in the CoP is encouraging collaboration between countries in developing authorized translations of IFRS and IFRS for SMEs. In particular:

- FRCoP members have shared their experiences of the actions needed to align national laws with the *acquis* and now have a deeper knowledge of IFRS and the IFRS for SMEs.
- Several countries are preparing to draw up concordance tables comparing their financial reporting systems with EU requirements.
- Several countries have developed an initial understanding of the IFRS for SMEs and are considering its adoption.
- Croatia has shared translations of IFRS with the Federation of Bosnia and Herzegovina. This enables preparers of accounts, auditors, and regulators to have the current version of IFRS (IFRS is the mandatory accounting framework in Bosnia and Herzegovina).
- As mentioned above, in March 2010, officials from Kosovo benefited from advice from CFRR experts and other members of the FRCoP. This advice influenced the draft accounting and auditing law, which passed through its first parliamentary stage in October 2010.

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 held four workshops between July 2009 and December 2010, with the most recent being held in Vienna in October 2010. The workshops have considered the key issues that participant countries face in meeting the requirements of the SAD, drawing, where relevant on the insights of external experts and the experiences of EU member states. The members of the AOCoP decided that the group should focus on three core aspects of audit and oversight: public oversight systems, quality assurance (QA) systems and the approach to sanctions & discipline. The group agreed on the key elements that described each of these aspects at its October 2010 workshop.

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

Outcomes

The AOCOP's activities have led to an improved shared understanding of the Statutory Audit Directive. In particular, participants realized that they faced a common set of issues which require solutions that may more effectively be addressed at a regional level. Several countries have started to implement QA systems with the support of the AOCOP. In the case of Croatia, the European Commission has formally acknowledged that the oversight system meets EU requirements. In addition, Macedonia has established a quality assurance system for the audit of financial statements of companies.

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 and financial reporting for banks and insurance undertakings. During 2009-2010, three seminars were organized. The March and September 2010 events were dedicated to banking regulators and supervisors, while both insurance and banking regulators/supervisors participated in the December 2010 Seminar. In addition to the three face-to-face events, one GDLN event on recent developments in banking and insurance accounting and linkages with prudential regulations (including the Basel III rules for banks and the EU's Solvency II rules for insurers) was held in December 2010. This attracted more than 80 participants.

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

Reporting standards and prudential rules for banks and insurance companies changed significantly in 2009-10 and further changes will come in 2011. All these changes will affect the preparation and the supervision of banks' and insurance companies' financial statements. The seminar series has provided a great deal of information to participants on recent changes in the accounting and prudential environment, especially on the new IFRS 9 on financial instruments (and the differences between this and US accounting standards) and the new Basel III regulatory framework. Participants have gained in-depth understanding of these and other recent policy developments, raising their technical capacity to enforce regulatory standards. Participants have also shared experiences and learned from each other, e.g. how the National Bank of Macedonia uses IFRS in its role as a prudential regulator.

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

Results Framework and Indicator Development

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 is working with the WBI to develop a results-based capacity development framework (CDRF) for the elements of REPARIS. A first draft of an institutional assessment tool based on ROSC diagnostic work was prepared in October 2010 and is being used to prepare a CDRF for a project to strengthen corporate financial reporting in Moldova.

The Director of the Financial Services Directorate in the Croatian Ministry of Finance was nominated by the CFRR to represent the REPARIS countries in the work of the UNCTAD Consultative Group on Capacity Building and attended the Group's meeting in October 2010. The Group is working to develop an Accountancy Development Index (ADI) to measure performance in financial reporting.

Outcomes

WBI experts have contributed at no cost to the work developing the results framework. The draft institutional assessment tool is near completion. It was piloted in Moldova and has informed the preparation of the Albania country project. In addition, the CFRR provided further contributions to the work of the UNCTAD working group on the development of performance indicators for corporate financial reporting.

Implementation Support

Objectives

To establish effective links between REPARIS regional and country-specific programs so that countries implement national financial reporting reforms which are aligned with the EU *acquis communautaire*.

Activities

The CFRR has been working to finalize the completion report on the REPARIS project in Macedonia, which closed in June 2010. It has also been supervising closely the implementation and completion of the Bank-financed IDF in Croatia and helping the Serbian government to prepare a Country Action Plan for corporate financial reporting under the Bank-financed IDF. The program provided support to the preparation of the Albania country project. CFRR staff also produced an update of the 2004 ROSC in Bosnia and Herzegovina, bringing together key stakeholders from the two entities to evaluate the progress made in corporate financial reporting. Under a World Bank IDF, Croatia has set up the quality assurance and public oversight systems required under the Statutory Audit Directive. The Croatian system of public oversight is now recognized by the EU as equivalent to the one of the EU member states. The Chairman of the Public Oversight Council delivered a presentation on the Croatian public oversight system during the EC Accounting and Auditing conference on February 10, 2011.

Outcomes

The raised awareness gained by participation in REPARIS activities has helped local stakeholders to take a more active role in the design of country-specific projects. The project in Croatia was completed and the development of a country action plan for Serbia was initiated. Additional funds (CHF 1.5 million) were secured for an Albania country project for which the project design and initiation were completed. The draft ROSC update report on Bosnia and Herzegovina was completed and shared with the Government in June 2010.

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

A web editor and website manager were recruited in spring 2010 and these extra resources have allowed the CFRR to expand the material on its public website (www.worldbank.org/cfrr) and to make the site more user friendly. 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. This public material complements the collaborative Wiki sites set up by the EduCoP and AOCOP, access to which is restricted to CoP members.

In order to reduce the costs of organizing events, an event management agency has handled most of the logistics connected to the program of seminars and workshops since May 2010. The agency has created an online registration system to make it easier for participants to register for events and for the CFRR to tailor interpretation facilities to participants' requirements. In addition the CFRR uses the Global Development Learning Network (GDLN), a World Bank-coordinated partnership of learning centers, to hold distance learning events under the REPARIS program. These have proved to an effective and lower-cost way of sharing knowledge and the CFRR has so far organized five GDLN events, with around 370 participants.

Outcomes

Many new pages have been added to the website, taking the total number of pages to 120. Efforts to improve the website have led to a sharp increase in the number of visitors, with an increasing proportion of visitors coming from the REPARIS countries. In November and December 2010, the website received around 6,800 page views a month, up from just 1,350 a month in December 2009 and resulting in a total of 51,000 page views over the period of this report. Daily unique visitors per month rose from about 300 to 2,200, a total of 12,200 visitors for the period. Albania accounted for the largest number of visitors to the site and seven REPARIS countries were among the top twenty locations of visitors to the site.

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 REPARIS multi-donor trust fund (MDTF) for regional activities was converted into a more flexible means for supporting country-specific activities in the second half of 2010. This has allowed a new donor - the Swiss State Secretariat for Economic affairs (SECO) to use the MDTF to support the implementation of the CAP in Albania, while keeping administrative costs low.

The planning and budgeting process has been improved by including both regional and country-specific activities in the 2011 program planning document. At the same time, the legal requirements for program planning have been streamlined.

CFRR staff have met representatives from the EC's DG ELARG and DG MARKT to discuss potential multi-beneficiary IPA funding for REPARIS and have produced, a draft project fiche. They have also discussed the issue of regional IPA funding with the Regional Cooperation Council.

Outcomes

The streamlining of TF administration is cutting costs, making the management of the program more transparent and allowing more effective co-ordination with the program's donors. The additional resources provided by new donors to the MDTF will contribute to the implementation of further regional and country-specific activities. The European Commission has expressed strong interest in considering REPARIS for multi-beneficiary IPA.

2. Lessons Learned and Risk Management

Component 1

The turnover of both policy makers (Ministers, Deputy Ministers) and those responsible for administration (senior officials) highlighted a need for actions to reach a broader audience of those responsible for governance of the countries. In response, the CFRR is restructuring this component from 2011 to include more activities within each country to assist in achieving its goals. This proposal is cost-neutral.

Component 2

There are only weak links between the accountancy profession and the universities and the university sector is lagging further behind the professional bodies than expected in responding to the needs of a modern system of accounting education. In response, the EduCoP is seeking to act as a catalyst for change by exposing stakeholders to the experiences of EU and other developed economies in the field of accounting education. Short-term confidence boosting measures, such as helping Ministries of Finance to incorporate the educational requirements of the Statutory Audit Directive, assisting the professional bodies/chambers in meeting the obligations of IFAC membership, and assisting the universities in achieving recognition of their proposed qualifications are helping to generate the momentum needed to make longer-term progress.

Component 3

Many stakeholders face little incentive to implement their own reforms until the new legal framework is in place. Both the FRCoP and the AOCOP are seeking to increase their participants' readiness to pursue reforms by focusing on practical issues that allow them to make better policy choices and to implement reforms effectively. The Ministry of Finance of Croatia gave compelling examples of how they had overcome several challenges in implementing financial reporting reforms. This is a clear demonstration of the ability of the CoP-based approach to help participants learn from their peers.

Component 4

The work on the development of an improved capacity development results framework (CDRF) has progressed at a slower pace than envisaged in 2009. Much of this delay is due to cuts in funding for national reform programs, which have restricted the opportunities to test the implementation of CDRF in project design. In response, the CFRR has developed an alternative strategy of encouraging countries to seek European Union Instrument for Pre Accession (IPA) funding.

Participation in the UNCTAD Consultative Group on Capacity Building has demonstrated the complexity of the task of developing performance indicators in this area. To support the development of the Accountancy Development Index (ADI), or an agreed alternative that achieves the goal of measuring the impact of financial reporting reforms, the CFRR will assist in testing the ADI methodology in Croatia.

In the area of knowledge management, the CFRR is adapting the public website to reflect the experience gained over the last year. The popularity of the materials linked to the IFRS for SMEs standard has caused us to put more emphasis on thematic approaches as a complement to the previous structure, which was largely determined by the calendar of events organized under REPARIS and the CFRR's other programs.

Component 5

The CFRR has mitigated the risk of higher transaction costs associated with the administration of the REPARIS trust fund with multiple donors by streamlining the legal agreement in 2010.

3. Outlook for 2011

The planned program of activities for 2011 has been shared and agreed with the donors. This plan aims to build on the lessons learned in the earlier stages of the program, and has a greater focus on assisting the countries to translate what they have learned at the regional level into sustainable positive changes within each country. Further details of the REPARIS program for 2011 can be found in the REPARIS planning document.

Component 1

In order to increase the commitment of national policy-makers to the program, senior staff from the CFRR will visit each REPARIS country in the first half of 2011, to brief senior officials, engage directly with a greater range of stakeholders, provide targeted technical assistance to Ministries of Finance to address urgent reform areas and to increase the visibility of the program at national level. This will help the CFRR to ensure that the future content of the regional program reflects the reform needs of participating countries and complements the various national-level programs that are being developed. As a number of EU member states have announced that they will be reducing bilateral assistance for national reform programs, the CFRR is actively pursuing opportunities to assist countries to use funds from the EU's national instrument for pre-accession (IPA) assistance as a means of financing national reform programs.

Components 2 and 3

The key issue facing the Communities of Practice is to ensure that the regional REPARIS activities remain relevant to and have a positive influence on national reform programs. Without appropriate linkages with in-country activities there is a risk that the regional activities will have little impact. This risk is being addressed through two main approaches:

- the active involvement of CoP members in planning the CoP's future activities (so that the CoP remains focused on the real needs of the participating countries);
- a combination of Senior Officials Workshops and ongoing In-Country Engagement (ICE) activities (under Component 1 of REPARIS) to ensure that the membership of the CoP is appropriate and that the needs of the countries are reflected in the activities of the CoP.

Components 4 and 5

The CFRR plans to carry forward the strategy agreed with the donors to seek longer-term funding for the regional REPARIS program from the European Regional Instrument for Pre Accession (Regional IPA). In early 2011, the CFRR will develop a project proposal (fiche), seek support from the national Governments of the seven Western Balkans countries and engage both with the European Commission and with EU delegations in each of the participating countries. The CFRR will also consult with the program's existing donors. Although it is too early to predict whether this initiative will produce a positive decision by the end of 2011, which would imply EU support from late 2012, the early indications from Brussels are that any efforts made in this process in 2011 will significantly enhance the prospects of success in 2012.

In the light of the uncertainties surrounding the availability of regional IPA funding in 2012, the CFRR, in close consultation with current REPARIS donors, will adopt a prudent approach to managing the funds provided by them. The CFRR will seek to maintain the momentum of the program in 2011, while seeking to ensure that REPARIS can continue to operate effectively in the period before any new regional IPA funds become available.



4. Financial Report

Consolidated Statements of Budget and Disbursements

Consolidated Statements of Budget and Disbursements for the period 1 July 2009 - 31 December 2010								
IN EUR								
	Unspent balance as of 30 June 2009	Allocation of the unspent balance ¹	New Donor Contributions ¹	Total Budget ¹	Reallocations ³	Adjusted budget	Disbursements	Balance as of 31 Dec. 2010 ⁴
	a	b	c = a+b	d	e = c+d	f	g = e - f	
Component 1	184,278	184,278	408,200	592,478	-140,000	452,478	382,534	69,944
Component 2	21,660	61,660	413,200	474,860	-100,000	374,860	324,465	50,395
Component 3	80,913	125,913	494,700	620,613	370,000	990,613	933,109	57,504
Component 4	233,045	257,850	152,077	409,927	-100,000	309,927	267,500	42,427
Component 5	55,904	55,904	197,823	253,727	-30,000	223,727	164,859	58,868
Subtotal	575,800	685,605	1,666,000	2,351,605		2,351,605	2,072,467	279,138
Main fund	100,000							
Earned interest	9,805							18,482
2% fee			34,000 ²	34,000 ²		34,000 ²	34,000 ²	
TOTAL	685,605	685,605	1,700,000	2,385,605		2,385,605	2,106,467	297,620

¹ As per amendment letter to the Administration Agreement from 30 Sept 2009

² 2% Trust Fund fee for 2009 contribution

³ Reallocation of 20 Jul 2010 as approved by donor. The reallocation financed an additional 3-day workshop in the AOCOP and also significantly increased technical assistance in all streams of Component 3. This was balanced by slower than expected progress in developing the CDRF, more efficient provision of some knowledge management services (Component 4) and some rescheduling of activities under Components 1 and 2.

⁴ Unused funds for the reporting period. The amount of unliquidated commitments for services received during the period ended 31 December 2010 was EUR 209,026 (USD exchange rate 0.74)



Disbursements by Expense Category

Component 1

Disbursements by expense category - all amounts are shown in EUR			
	2 Oct 2008 - 30 Jun 2009	1 July 2009 - 31 Dec 2010	Total Disbursements
Staff and Consultants	131,084	163,241	294,325
Travel and Transport	30,994	55,582	86,576
Meetings	28,419	141,164	169,583
Translation and Interpretation	8,017	18,802	26,819
Other	2,609	3,746	6,355
Total	201,122	382,534	583,657

Component 2

Disbursements by expense category - all amounts are shown in EUR			
	2 Oct 2008 - 30 Jun 2009	1 July 2009 - 31 Dec 2010	Total Disbursements
Staff and Consultants	85,870	152,385	238,255
Travel and Transport	23,566	59,822	83,388
Meetings	24,747	93,457	118,204
Translation and Interpretation	4,013	13,333	17,346
Other	244	5,467	5,711
Total	138,440	324,465	462,905

Component 3

Disbursements by expense category - all amounts are shown in EUR			
	2 Oct 2008 - 30 Jun 2009	1 July 2009 - 31 Dec 2010	Total Disbursements
Staff and Consultants	33,722	439,229	472,951
Travel and Transport	7,607	102,966	110,573
Meetings	597	320,529	321,126
Translation and Interpretation	720	49,778	50,498
Other	40	20,606	20,646
Total	42,686	933,109	975,795

*Component 4*

Disbursements by expense category - all amounts are shown in EUR			
	2 Oct 2008 - 30 Jun 2009	1 July 2009 - 31 Dec 2010	Total Disbursements
Staff and Consultants	49,850	211,127	260,977
Travel and Transport	4,754	38,093	42,847
Meetings	0	16,612	16,612
Translation and Interpretation	0	751	751
Other	51	918	969
Total	54,655	267,500	322,155

Component 5

Disbursements by expense category - all amounts are shown in EUR			
	2 Oct 2008 - 30 Jun 2009	1 July 2009 - 31 Dec 2010	Total Disbursements
Staff and Consultants	60,779	107,768	168,547
Travel and Transport	18,117	14,800	32,917
Meetings	0	0	0
Translation and Interpretation	0	0	0
Lease Operating Exp.	13,043	19,549	32,592
Other	10,598	22,742	33,340
Total	102,537	164,859	267,396