
REPARIS

Road to Europe: Program of Accounting
Reform and Institutional Strengthening

Multi-Donor Trust Fund for Regional Programs

Progress Report

For the Period from 2 October 2008 to 30 June 2009



THE WORLD BANK
CENTRE FOR
FINANCIAL REPORTING REFORM



Austrian

Development Cooperation



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances



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This report was prepared by

Centre for Financial Reporting Reform
Europe and Central Asia Region
The World Bank
Praterstr. 31, 1020 Vienna
Austria

Email: cfr@worldbank.org

Phone: +43-1-2170700

Fax: +43-1-2170701



List of Acronyms

A&A	Accounting and Auditing
BCBS	Basel Committee on Banking Supervision
BiH	Bosnia and Herzegovina
CAP	Country Action Plan
CFRR	Centre for Financial Reporting Reform
CoP	Community of Practice
CPD	Continuing Professional Development
DAC	Donor Advisory Council
Education CoP	Accounting and Auditing Education Community of Practice
EU	European Union
FY10	Fiscal Year 2010
GDLN	Global Distance Learning Network
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IAIS	International Association of Insurance Supervisors
IES	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
KM	Knowledge Management
MDTF	Multi-Donor Trust Fund
M&E	Monitoring and Evaluation
MPG	Market Participants Groups
PIE	Public Interest Entity
PIOB	Public Interest Oversight Board
RCG	Regulatory Coordination Group
REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
ROSC	Report on the Observance of Standards and Code

Summary

To facilitate potential integration into (or harmonization with) the EU, policymakers in the countries of Central and South East Europe are increasingly aware about the importance of reforms to enhance corporate financial reporting with a view to adoption and enforcement of the relevant *Acquis Communautaire* so as.

To complement interventions at the local level (country action plans), regional activities are designed to allow countries to tackle issues shared regionally, to promote cooperation among countries, and to ensure coordinated actions within a common framework. To advance the regional financial reporting agenda, the Vienna based World Bank Centre for Financial Reporting Reform (CFRR), the Austrian Development Cooperation as strategic donor, and the Government of Luxembourg entered into a five-year partnership under the Road to Europe: Program of Accounting Reform and Institutional Strengthening (REPARIS) Multi-Donor Trust Fund for Regional Programs.

Beneficiary countries of this trust fund are Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, and Serbia. The purpose of the regional activities is (a) to assist the REPARIS countries/entities to develop common solutions to shared challenges, recognizing that many have similar legal and economic backgrounds, that they all wish to converge on EU practices, and that many - as small, resource-constrained states - are unable to address several important issues alone, (b) to exploit synergies through regional communities of practice (CoPs) for peer institutions, (c) to facilitate speedy replication of good practices developed elsewhere, and (d) to promote partnerships with relevant EU and global bodies.

The Program consists of five components including (i) Reform momentum and regional cooperation serving the political level and decision makers, (ii) Curricula development and education and training reform supporting the advancement of financial reporting education, (iii) Moving forward in accounting and auditing furthering *Acquis Communautaire* relevant financial reporting topics, (iv) Implementation support and monitoring and evaluation developing and implementing a robust M&E framework as well as knowledge management systems, and (v) Program management and administration.

In each of the components, significant progress has been made throughout the initial start-up period from 2 October 2008 to 30 June 2009. More specifically, a momentum for reform and commitment to regional cooperation has been established through two senior officials' meetings in Component 1. Furthermore, a forum of discussion and knowledge sharing in the area of financial reporting has been successfully created. The program objectives were discussed in detail, and the program agenda jointly elaborated. Preparations for a Ministerial Conference to be held in 2009 are well under way and will ultimately lead to a formal endorsement of the Program by ministers of beneficiary countries. To ensure high-level and adequate support of the Program, governance groups supporting the management of the Program are currently being established.

Furthermore, the reform work in the area of curricula development and education reform was started and a community of practice successfully developed and launched in three workshops. Participants agreed on an agenda for the coming years, agreed on process aspects, and paved the way for new activities to be launched in the next program year.

Work in the area of International Financial Reporting Standards was initiated and a seminar for financial market supervisors is in preparation for delivery in the new program year. To ensure that participants have access to the most recent updates in financial reporting relevant areas of the *Acquis Communautaire*, a publication is currently being updated.

To support the knowledge sharing activities and interventions of the Program, the existing website was further developed to reflect beneficiaries' needs and work on a new information portal was initiated. In addition, the learning concepts Community of Practice and Global Distance Learning Network were successfully mainstreamed into the Program.

Complementary, country-specific actions were taken, and in an effort to coordinate with the regional program, implementation support provided to certain countries. To develop a logical underpinning and measurable indicators for financial reporting reform work, the work on a results framework system was initiated.

Overview

Introduction

The following is a progress report of the Road to Europe Program of Accounting Reform and Institutional Strengthening (REPARIS) Multi-Donor Trust Fund for Regional Programs on the initial start-up period 2 October 2008 to 30 June 2009.

The report first provides an overview of the Program by presenting the context, vision, objectives and program features. Then, the progress of the Program in each component is discussed by presenting an overview of the component and its objectives. This is followed by a description of the delivered activities as well as activities which were prepared for delivery in the next program year. Furthermore, achievements and results are being elaborated together with a discussion on component management and monitoring as well as evaluations. Finally, an outlook is provided for the next program year.

Context

There has been strong evidence of an increasing awareness on the part of policymakers in the countries of Central and South East Europe about the importance of reforms to enhance corporate financial reporting with a view to adoption and enforcement of the *Acquis Communautaire* in the field of financial reporting, so as to facilitate potential integration into (or harmonization with) the EU. This awareness is also attributed to (a) development of Country Action Plans (CAPs) in some countries of the Region (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro and Serbia) to implement recommendations of the Accounting and Auditing (A&A) Reports on the Observance of Standards and Codes (ROSCs) and (b) the achievements of the initial phase of Regional REPARIS managed by the World Bank.

The idea of establishing an integrated Program both at the regional and country levels in support of corporate financial reporting reforms in the countries of the Region has come from the Governments of Austria and Luxembourg and the World Bank in

response to the complex challenge of adopting and enforcing the *Acquis Communautaire* in the field of financial reporting.

The Government of Austria financed in the past a single trust fund to support Regional REPARIS during the period 2004-2006. There were two main activities: the GDLN Advanced Program in Accounting and Auditing Regulation, and the 2006 Ministerial Conference in Vienna. The Advanced Program consisted of 28 three-hour modules, which were broadcast live to 14 locations, with simultaneous interpretation into 8 languages, reaching a cumulative audience of over 1200 participants. This was the largest GDLN program ever delivered by the World Bank.

As part of the commitment to building further on the momentum and achievements of the initial phase of Regional REPARIS, high-level officials from the Region and the donor community agreed, at the March 2006 Ministerial Conference in Vienna, to support the new phase of the Program. To this end, the Bank's Vienna-based Centre for Financial Reporting Reform (CFRR) was opened in November 2007, *inter alia* to serve as the REPARIS Secretariat. In addition, the CFRR, the Austrian Development Cooperation as strategic donor, and the Government of Luxembourg entered in late 2008 into a five-year partnership under the Road to Europe: Program of Accounting Reform and Institutional Strengthening (REPARIS) Multi-Donor Trust Fund for Regional Programs.

The challenge for REPARIS is to integrate the five key areas of corporate financial reporting reform: (a) the robust diagnostic instrument, A&A ROSCs; (b) CAPs to implement ROSC recommendations, prepared by recipient countries with technical advice from the Bank and financial assistance from the Bank and other donors; (c) effective mobilization of adequate donor financing to support implementation of the CAPs; (d) implementation of CAPs at the national level, with advisory and technical assistance from the Bank; and (e) monitoring and evaluation (M&E) and knowledge sharing at the Regional level, carried out and managed by the Bank with donor support.

Vision

The vision of REPARIS is to help the countries of Central and South East Europe to establish strong institutional and regulatory frameworks necessary for increased transparency, for effective functioning of the market, and for strengthened financial sector supervision. The Program provides a comprehensive and long-term framework to ensure a strong integration of assessment, advisory, financial, operational, and monitoring and evaluation support to the countries of the Region in their reform efforts to achieve the technical requirements of the *Acquis Communautaire* in the field of corporate financial reporting.

The Program has two pillars: (i) country-specific activities and (ii) regional activities. To complement interventions at the country level, regional activities are designed (a) to assist the REPARIS countries to develop common solutions to shared challenges, recognizing that many have similar legal and economic backgrounds, that they all wish to converge on European Union (EU) practices, and that many - as small, resource-constrained states - are unable to address several important issues alone, (b) to exploit synergies through regional communities of practice (CoPs) for peer institutions, (c) to facilitate speedy replication of good practices developed elsewhere, and (d) to promote partnerships with relevant EU and global bodies.

Objectives

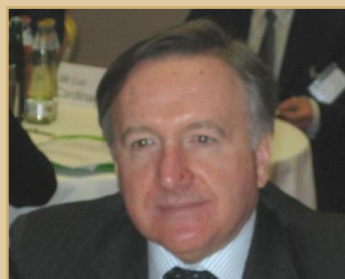
Although alignment with the *Acquis Communautaire* is the key objective, the most recent experience with new EU Member States has proven that simply changing laws and regulations is not enough. While the *Acquis* itself deals with important issues such as accounting standards, auditing standards, and the statutory framework, much more needs to be done to ensure the effective implementation of these requirements in practice: monitoring and enforcement, education and training, and enhancement of the accounting profession and ethics, and strengthening institutional capacities of the key players.

For that reason high priority should be given to raising awareness and enhancing knowledge of policymakers, financial sector regulators, accountants and auditors, and the other skilled professionals on whom the effectiveness of the legal and supervisory framework depends. There is a need to provide support over a long-time horizon to achieve the institutional changes needed to sustain structural changes and for that reason multi-year and integrated reform programs,

with strong donor commitment and coordination mechanisms, are critical to sustain progress in institutional changes over the medium- and long-term.

More specifically, the objectives of Regional REPARIS (as opposed to the country-specific REPARIS projects) include:

- Raise awareness, and enhance knowledge, of national stakeholders as to the importance of specific reform areas, and bring them up to date with developments at EU and international level. Doing this through regional delivery mechanisms allows for the exploitation of economies of scale, and the mobilization of technical experts who would not be available to engage on a country-by-country basis, under guidance and quality assurance by the CFRR.
- Facilitate peer learning and the exchange of knowledge at the regional level between national stakeholders, so that they can better internalize the impact of EU and international developments and understand their consequences at national level, and create an element of peer pressure and competition between them, so as to enhance the reform momentum.
- Support the development of common solutions to common challenges, rather than re-inventing the wheel.
- Enable the trickle-down knowledge cascade effect between new EU Member States and the REPARIS countries.



"The strength of the *Acquis Communautaire* is based on the recognition that high quality corporate governance and financial reporting are an essential underpinning for cohesion and competitiveness in the Single Market"

John Hegarty, Head, CFRR

Program Features

Key features of the Program are: (a) a comprehensive programmatic approach within a common framework and with a common governance structure; (b) effective mobilization of donor financing in the form of multiple multi-donor trust funds (MDTF) for implementation of both country-specific action plans (recipient-executed) and regional programs (Bank-executed), all administered by the Bank; (c) Bank support for the implementation of country-specific and regional activities for meeting the technical requirements of the *Acquis Communautaire*, defined and required by the European Commission (EC); (d) mobilization and management of global knowledge and expertise by the Bank to support implementation of financial reporting reforms; (e) synergies of a multi-country approach and speedy replication of good practices developed elsewhere, with the structured exchange of information between beneficiary countries through communities of practice (CoPs) and effective knowledge management; (f) common M&E of progress with reforms in all beneficiary countries in the Region and regular reporting on progress by the Bank; and (g) continued policy dialogue with the EC and policy and capacity partnerships with relevant EU and global bodies.

The Program is a partnership among three parties: (a) beneficiary countries (the countries of Central and

South East Europe) undertaking reforms in the field of corporate financial reporting; (b) development partners who are committed to providing the financing for implementation of the reforms; and (c) the Bank as facilitator of the reform process, coordinator of the Program, and administrator of the donor financing.

Principal beneficiaries of the Program are countries of Central and South East Europe, and they include (in alphabetical order):

- Albania
- Bosnia and Herzegovina
- Croatia
- Kosovo
- Macedonia
- Montenegro
- Moldova
- Serbia

The Program features five components:

- Reform Momentum and Regional Cooperation
- Curricula Development, and Education and Training Reform
- Moving Forward in Accounting and Auditing
- Implementation Support, and Monitoring and Evaluation
- Program Management and Administration

Progress in each of the components will be discussed in the following section of this report.



Exploratory Workshop – Accounting and Auditing Education in Central and South East Europe

Reform Momentum and Regional Cooperation

Component 1

(i) Overview

Strong commitment from the political level and a regular integration of relevant high-level decision makers into REPARIS are essential elements for the success of the Program. For that reason, the Reform Momentum and Regional Cooperation Component's primary objective is to ensure that program activities are being regularly and comprehensively discussed with beneficiary countries, feedback is expressed at an early stage, and support is provided in an accurate and timely fashion at the respective levels.

The Component intends to provide a forum for participating countries to formally commit to improvements in corporate financial reporting and to endorse the program content. Ultimately this entails a strategic commitment as well as a commitment that participating countries assign resources and instruct institutions and staff accordingly. In addition, apart from raising awareness, the activities of this Component aim to enhance knowledge of national stakeholders as to the importance of specific reform areas, and more specifically, aim to bring stakeholders up to date with developments at EU and international levels. Doing this through regional delivery mechanisms allows for the exploitation of

economies of scale, and the mobilization of high-level, relevant experts.

To achieve this, the CFRR primarily works with senior officials of ministries of finance, and organizes high-level ministerial conferences and meetings for beneficiary countries' ministers of finance and other senior officials. This allows for an ongoing strategic validation of the Program; to present the latest developments in financial reporting regulation; and to agree in a participatory manner on the program of regional activities for following years. The events may also provide the private sector, including foreign direct investors, an opportunity to provide feedback on the issues it faces.

Furthermore, the Component aims to facilitate dialogue and regional cooperation among program participating countries. Beneficiary countries are at different levels of development and many of them have undertaken a number of steps to improve their systems in the field of financial reporting. The Component provides an opportunity to share experiences and lessons learned and to learn together from best practice models.



Senior Officials' Workshop, Vienna, March 2009

(ii) Delivered Activities

Senior Officials' Workshop

25-26 March 2009, Vienna

On 25 and 26 March 2009 senior officials from ministries of finance of beneficiary countries gathered in Vienna to initiate the development of a program of regional activities under Regional REPARIS. The workshop provided the foundation for building commitment to a 5 year program of activities designed to support the development of a sound financial reporting infrastructure across the region. Furthermore, it provided an opportunity for senior officials and members of the national steering committees to meet and interact with peers in the region, to share and recognize some of the challenges, and to agree to work together.



"Accounting directives are full of sensitive political compromises when talking about the *Acquis Communautaire*."

Ulf Linder, Deputy Head,
Accounting Unit, European Commission

Gunter Schall, Head, Private Sector and Development, Austrian Development Cooperation, the principal

funder of Regional REPARIS, welcomed participants and spoke about his agency's expectations in supporting the Program. Speakers from the CFRR, as well as Jan-Peter Olters, the World Bank's Country Manager for Montenegro, set the stage for discussions by outlining for participants the goals of the Program and how sound financial reporting contributes to promoting private sector growth and financial stability. Thomas Wieser, Director General, Austrian Ministry of Finance, provided a stimulating overview of the international financial crisis and its impacts across the region, while highlighting the role of financial reporting. Finally, Ambassador Oeppinger-Walchshofer addressed the audience in a closing statement.

Following a comprehensive review of the key financial reporting and auditing elements of the *Acquis Communautaire* presented by Ulf Linder, Deputy Head of the Accounting Unit at the European Commission, Agnieszka Stachniak from the Ministry of Finance of Poland shared her practical experiences in dealing with the challenges of implementing the *Acquis* in a new Member State. In addition, Sven Morich from PricewaterhouseCoopers Germany talked about the challenges of identifying appropriate accounting standards for SMEs.

Participants also had an opportunity to get to know each other in a more relaxed environment over dinner. To provide additional stimulation for the informal discussions, Jules Muis, former Vice-President/Controller of the World Bank shared some thought provoking views on the financial crisis and potential implications for the role of the accounting profession.



Ms. Stachniak, Mr. Linder, Mr. Carchrae and Mr. Morich at the Senior Officials' Workshop



By the conclusion of the workshop, participants had identified several areas in which they each face common challenges in creating sustainable improvements to the financial reporting infrastructure in their countries. These included:

- Scope of application of IFRS and definition of public interest entities (PIEs)
- Role of national accounting standards and possible role of the International Accounting Standard Board's draft IFRS for Small and Medium-sized Entities
- Accounting for tax purposes – and possible links with reporting requirements
- Role of central banks / prudential regulators - challenges of financial reporting versus financial supervision

Participants also recognized the significant potential benefits of working together on these common issues. Recognizing the importance of political commitment, participants agreed to work with the CFRR on a program of work that will support reform objectives to be endorsed at a high level Ministerial Conference to be held in Vienna in November 2009. The conference will bring together relevant Ministers from across the region to meet with their counterparts. It will also provide an opportunity for dialogue among the ministers, the World Bank, the European Commission and the private sector. The CFRR will work closely with the senior officials over the coming months to prepare the agenda for the Ministerial Conference.

List of participating institutions

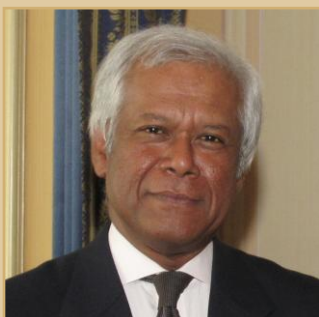
Albania	<ul style="list-style-type: none"> • Deputy Minister, Ministry of Finance • General Treasury Director, Ministry of Finance • Advisor, Ministry of Finance
Bosnia and Herzegovina (BiH)	<ul style="list-style-type: none"> • Assistant Minister, BiH Ministry of Finance and Treasury • Chief of Department, Federation of BiH Ministry of Finance • Assistant Minister, Department for Accounting and Audit, Ministry of Finance of Republic of Srpska • Head of Department for Debt Plan and Analyses, Ministry of Finance of Republic of Srpska • Head of Department for Reporting and Balance of Payment Management, Ministry of Finance of Republic of Srpska
Croatia	<ul style="list-style-type: none"> • Head of Unit, Ministry of Finance
Kosovo	<ul style="list-style-type: none"> • Deputy Minister, Ministry of Economy and Finance • Advisor of Minister, Ministry of Economy and Finance • Director of Treasury, Ministry of Economy and Finance
Macedonia	<ul style="list-style-type: none"> • Head of Tax Department, Ministry of Finance • Head of Financial System Department, Ministry of Finance
Moldova	<ul style="list-style-type: none"> • Deputy Minister of Finance, Ministry of Finance • Coordinating Specialist, Accounting and Audit Regulation, Ministry of Finance • Deputy Head, Accounting and Audit Regulation, Corporative Sector Directorate, Ministry of Finance
Montenegro	<ul style="list-style-type: none"> • Senior Advisor, Ministry of Finance • Senior Advisor, Ministry of Finance • Advisor, Ministry of Finance
Republic of Serbia	<ul style="list-style-type: none"> • Assistant Minister for Financial System, Ministry of Finance • Head of Accounting & Auditing Department, Ministry of Finance • Head of Accounting, Ministry of Finance

Second Senior Officials' Workshop

25-26 June 2009, Vienna

Participants of the 25-26 June workshop met to discuss in detail the work plan of the Program as well as to prepare the Ministerial Conference. Following a brief overview of the role of International Financial Reporting Standards (IFRS), national accounting standards, and accounting/financial reporting for different size entities and purposes, including financial institutions, participants were asked to outline the current requirements and challenges in their countries. Then, participants were divided into working groups to summarize specific questions and challenges that they consider relevant in the region for the following themes that were identified during the March workshop.

done, how best to do it, and what regional strategies and approaches may be appropriate. Based upon this, participants agreed on a statement of needs that will guide the implementation of CFRR's support to Regional REPARIS activities from 2009. In addition, it was agreed that two more communities of practice will be established under Component 3, an accounting and an auditing group, recognizing the success of the community of practice started under Component 2. Finally, participants were requested to provide advice and input on how to structure the autumn Ministerial Conference to ensure its relevance and appropriateness at the highest levels in each of the respective countries, to agree on potential activities that would create the necessary conditions for a successful conference and to commit to active participation, and to advise on potential priority



"The World Bank is committed to working in support of economies as they undertake these reforms, since we see improved financial reporting as making a direct contribution to the process of economic development, and to improving the lives of people. REPARIS is a unique experience for the Bank and an approach that could be replicated in other regions as well."

Fayezul Choudhury
Vice-President Corporate Finance and Risk Management, World Bank

In addition, participants addressed challenges in implementing audit requirements and the European Union (EU) 8th Company Law Directive. They were expected to reach a shared understanding of the key challenges and success factors required to implement a system of public oversight and quality assurance of the work of auditors in the region. Participants reviewed in groups the list of challenges and questions that have arisen, identified and prioritized what needs to be

matters for adoption by ministers. The second day ended with a speech from Fayezul Choudhury, Vice-President Corporate Finance and Risk Management, The World Bank, who congratulated the participants for the work achieved during the workshop and renewed the long term commitment of the Bank to the improvement of financial reporting in partner countries.



Senior Officials' Workshop, Vienna, June 2009



List of participating institutions

Albania	<ul style="list-style-type: none"> • General Treasury Director, Ministry of Finance • Member, National Steering Committee
Bosnia and Herzegovina	<ul style="list-style-type: none"> • Assistant to the Minister, Treasury Department, Ministry of Finance of Republic of Srpska • Head, Department of Financial Reporting, Ministry of Finance of Republic of Srpska • Assistant Minister, Ministry of Finance of Republic of Srpska
Croatia	<ul style="list-style-type: none"> • Head of Unit, Ministry of Finance
Kosovo	<ul style="list-style-type: none"> • Executive Director, Society of Certified Accountants and Auditors of Kosovo • Advisor of Minister, Ministry of Economy and Finance • Advisor, Office of the Prime Minister
Macedonia	<ul style="list-style-type: none"> • State Secretary, Ministry of Finance/President of the Public Oversight Board • Head of Financial System Department, Ministry of Finance
Moldova	<ul style="list-style-type: none"> • Assistant Professor, Academy of Economic Studies of Moldova/Member of the National Steering Committee
Montenegro	<ul style="list-style-type: none"> • Deputy Minister, Ministry of Finance • President of the Council, Insurance Supervision Agency • Senior Advisor, Ministry of Finance
Republic of Serbia	<ul style="list-style-type: none"> • Assistant Minister for Financial System, Ministry of Finance • Head of Accounting & Auditing Department, Ministry of Finance • Head of Auditing Group, Ministry of Finance

What participants say:

“We tried to cooperate and discuss what problems we have, how we can work together. It was more like talking with a friend to solve issues, to put ideas forward without feeling ashamed for what has not been attained yet.”

“We addressed real problems, engaged together and developed a level of trust to work together.”

“We talked as friends and discussed very specific things. We did not have problems with language and managed to understand each other.”

Knowledge Sharing Activities

A key benefit of the Vienna location for the Centre for Financial Reporting Reform (CFRR) and REPARIS secretariat is the ability it provides to interact with a wide range of local stakeholders having an interest in financial reporting reform, especially in the REPARIS countries. The CFRR has the opportunity to share its experiences and insights, to learn more about the region from the stakeholders, and to mobilize specific technical inputs which feed into program delivery. There are regular formal and informal contacts with local stakeholders including economic briefings on the region from major financial institutions, attendance at seminars and conferences organized by professional and standard-setting bodies, and discussions with academics. Examples since the Regional REPARIS trust fund became effective include:

- 16 March 2009:
CFRR Presentation and Discussion
“Financial Reporting and Accounting in CESE Countries”
FMA / World Bank Workshop at the JVI
“Cross-Border Financial Regulation and Supervision – Implementation Framework”
- 19 April 2009
CFRR Presentation and Discussion
Alpbach Forum Seminar at the Austrian National Bank
“Put to the Test: Europe and the Financial Crisis”
- 5 May 2009
CFRR Presentation and Discussion
“Restoring Trust in Europe’s Financial Markets”
wiiw Seminar at the JVI
“Public Governance and Structural Reforms”

- 4 June 2009
CFRR Presentation and Discussion
"Financial Stability and Financial Reporting"
Annual Conference of the Aktuarvereinigung
Österreichs
"Stabilität von Finanzmärkten"

In relation to REPARIS, as part of other programs delivered by the Centre for Financial Reporting Reform (CFRR), eg. Swiss funded program for selected EU member states, and in connection with external partnerships managed by the CFRR on behalf of the World Bank Group, there are regular exchanges with EU and global regulatory, standard-setting, and professional bodies, as well as with the EU institutions. The following provides an overview of formal knowledge sharing events the CFRR participated in and from which REPARIS benefits.

- 12 October 2008
CFRR Presentation and Discussion
Meeting of the Accounting Committee of the International Association of Insurance Supervisors (IAIS)
Budapest, Hungary
- 28-29 October 2008
CFRR Participation
Meeting of the IFAC Monitoring Group of Regulators and International Organizations
Madrid, Spain

- 13-14 November 2008
CFRR Presentations and Discussion
Meetings of the Board and Council of the International Federation of Accountants (IFAC)
Rome, Italy
- 9 December 2008
CFRR Participation
Federation of European Accountants Conference on Audit Regulation
Brussels, Belgium
- 10 December 2008
CFRR Participation, and Chairing of Session
European Commission Conference
"Promoting Public Oversight Systems in Third Countries"
Brussels, Belgium
- 9-12 March 2009
CFRR Participation
Meetings of the Consultative Advisory Groups to the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), and presentation at related public seminar Dubai, UAE
- 30 March 2009
CFRR Participation
Meeting of the Public Interest Oversight Board (PIOB)
Athens, Greece
- 28-29 April 2009
CFRR Participation
Meeting of the International Forum of Independent Audit Regulators (IFIAR)
Basel, Switzerland

(iii) Activities under Preparation and to be delivered in Project Year FY10

Ministerial Conference

November 2009, Vienna

The Ministerial Conference, as a core pillar of the Program, aims to bring together ministers of finance of the participating countries as well as the donors, and stakeholders from the EU and international levels. The primary objective of the conference is to seek ministerial endorsement of the Program for the next five years, both at the regional and country levels, as well as for the activities specifically for the following program year. Furthermore, ministers will be given an opportunity to discuss the importance of financial reporting for economic development and EU accession and, as a consequence, to formally commit to the regional REPARIS activities.

Ultimately, the conference will be an opportunity to signal to stakeholders, investors, donors and the European institutions that a significant program is under way and reform progress will be made in relevant areas. Preparations for the conference have started to get ready for activities such as panel discussions, break-out sessions, presentations and bilateral meetings.

The conference will be an opportunity for ministers to meet with their counterparts in the region as well as with relevant international and EU representatives. It will facilitate the formal endorsement of the Program.

Due to timing issues because of elections and especially because of the need for a second senior officials meeting to further discuss the detailed

program agenda and the joint approach, the original date of June 2009 did not materialize. It is now expected that the conference will take place in November 2009.

Establishment of Governance Groups

October 2009 – January 2010

A governance structure for management of all corporate financial reporting reform activities under REPARIS is currently being developed as part of the overall governance arrangements for the CFRR and all of the work programs it manages. Representatives of development partners will be included on the Donor Advisory Council (DAC) which will provide strategic and policy guidance on institutional capacity strengthening in the field of corporate financial reporting, with reliance on specific and relevant thematic discussion papers and studies prepared by the CFRR under REPARIS (and other programs). The DAC has the final responsibility for M&E of progress with the reforms and may commission an independent performance evaluation.

The Regulatory Coordination Group (RCG) and the Market Participants Group (MPG) will provide technical input, perspectives, concerns and recommendations on the reforms implemented or supported, drawing on best EU and international practice and on the practical experience of private sector actors. The advantage of this consultative process is to bring structure and synergies to several informal partnerships and information exchange initiatives which are already underway, and to

leverage the willingness of regulatory organizations and private sector bodies to support the activities of the CFRR.

The RCG will comprise representatives of those EU and international regulatory and standard-setting bodies which play a key role in the determination and enforcement of best practice in the field of corporate sector financial reporting. These include, for example, the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), the International Accounting Education Standards Board (IAESB), and the Basel Committee on Banking Supervision.

The MPG will comprise representatives of private sector financial institutions, enterprises and organizations which have pan-regional insights and perspectives on financial reporting in practice. These include, for example, banking groups with branches and subsidiaries in partner countries, institutional and real sector foreign investors in the region, international and regional bodies of accountancy associations and firms, and similar entities.

All three groups are currently being formally established. Individuals representing their institutions are currently being identified and invited to serve on the respective groups. It is expected that all three groups will have been established prior to the Ministerial Conference and will be represented at the conference.

(iv) Results, Monitoring and Evaluation

By bringing together high level representatives and senior officials from participating countries, a number of the component objectives were completed within the start-up period of the Program. Most importantly, key counterparts were identified and the formal commitment of countries invited to participate in the Program was received, paving the way for a structured discussion on the program content. More specifically, detailed aspects of the regional reform agenda were discussed in depth to ensure specific input from the recipient countries is reflected in the program design, and by doing so, an initial reform momentum was created. Additionally, the major objective of plugging decision makers of the region into the European and international discussion was initiated by featuring relevant guest speakers from respective agencies of the European Commission and EU Member States. Furthermore, the establishment of a

forum for dialogue and a sense of collaboration was successfully initiated. Beneficiary countries acknowledge the opportunities available through collaboration, learning from each other and with each other. As a result, decision makers endorsed the establishment of the Accounting and Auditing Education CoP and agreed to establish two more thematic working groups, one in the area of accounting, and one in the area of auditing (Component 3).

Due to the complexity of the program agenda and the program objectives, it was necessary to make slight adaptations to the original planned sequencing of events. It was regarded beneficial that video-conferencing and meetings through GDLN would only come into play at a later stage when the formal discussions have taken place and agreements on the

program structure and action plan have been reached. This turned out to be a more complex process than originally anticipated. As a consequence, two physical meetings of senior officials were needed leading to a postponement of the Ministerial Conference originally planned for June 2009. The conference is now planned to take place in November 2009. Additionally, at times it has proved difficult to ensure availability of adequate high level representatives from certain beneficiary countries due to elections and travel restrictions because of the financial crisis. However, the assistance of the World Bank country offices was very useful here and continued support

and efforts are needed to ensure a good representation of each of the participating countries.

Evaluations completed by 20 out of 23 participants in the first workshop gave high ratings to the relevance of the workshop sessions as well as the quality of the meeting and the speakers. A number of additional comments were provided by respondents and these were taken into account for the design of the agenda for the second workshop. The survey results were communicated back to participants. Additional evaluations are planned for recent and ongoing activities to ensure a high degree of quality and relevance of events.

(v) Conclusion and Outlook

With two workshops and the various communications, the Program received the much needed buy-in from program participants and as a consequence, the Program was formally kicked-off. With the notion of putting the beneficiaries in the driver's seat, a forum for discussion and collaboration was created, and a certain reform momentum established. It is now imperative to build on this momentum by quickly taking discussions further based on the program agenda put forward by the beneficiaries. For that reason, video-conferencing sessions will be rolled out

immediately after the summer and detailed preparations of the Ministerial Conference continued. Once ministers formally endorse the Program, it is expected that the dialogue with senior officials will continue through GDLN sessions as well as a follow-up physical meeting in the coming program year.

Furthermore, the creation of the governance groups, the Regulatory Coordination Group, the Market Participants' Group and the Donor Advisory Council will be a priority activity.



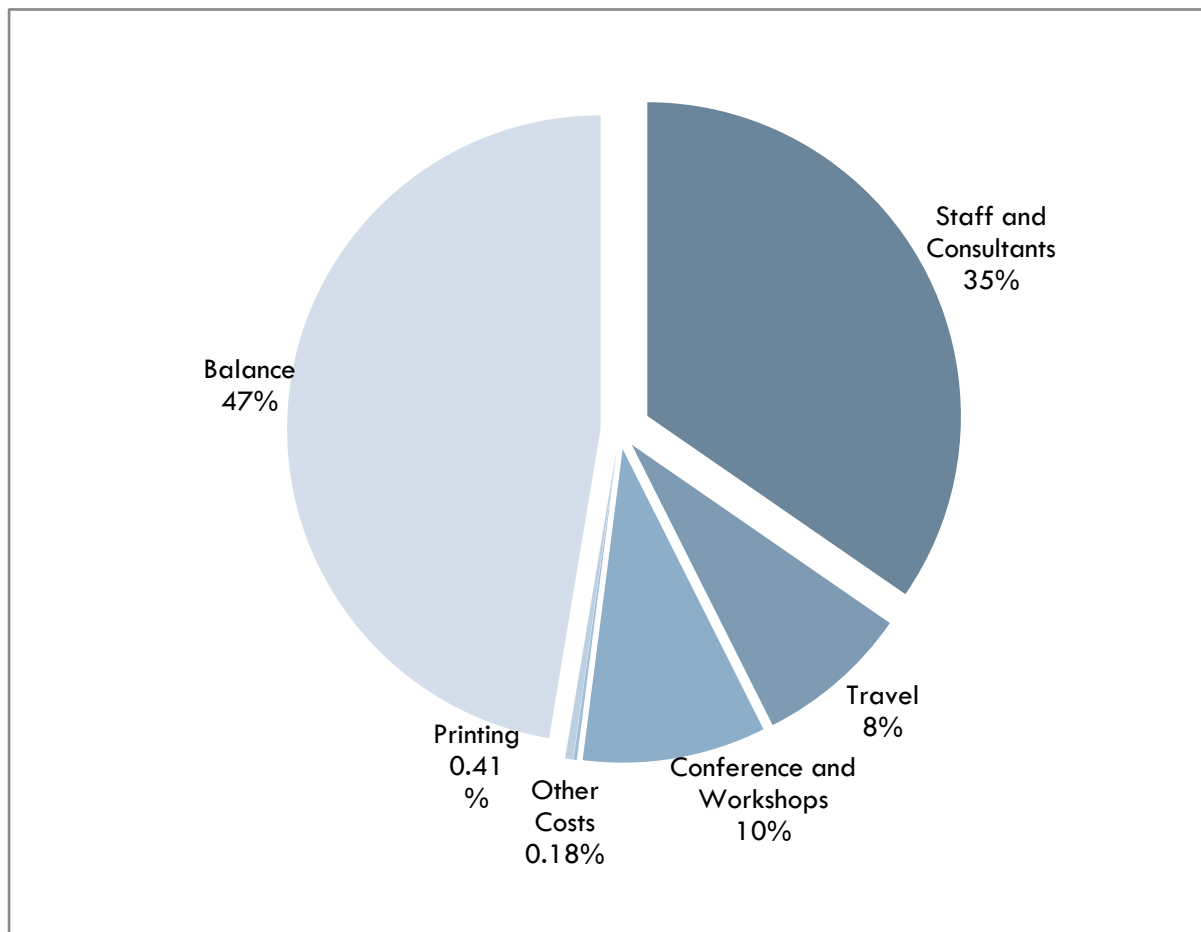
Exploratory Workshop – Accounting and Auditing Education in Central and South East Europe

**(vi) Financial Report**

Expense Category	EUR	%
<u>Total Budget</u>	<u>385,400.00</u>	<u>100.00</u>
Other Benefits	34,023.61	8.83
Ext. Term Temp	628.68	0.16
Ext. Term Temp Benefits	188.58	0.05
Salary Charges	73,082.17	18.96
Reposted Overheads	-3,586.76	-0.93
Short Term Consultant	9,117.00	2.37
Ext. Term Consultant	11,421.82	2.96
Ext. Term Cons Benefits	1,888.41	0.49
Short Term Temporary	4,320.00	1.12
Training External	327.28	0.08
Travel Airfare	3,652.53	0.95
Travel Subsistence	6,050.16	1.57
Travel Other	3,688.13	0.96
Other Travel	17,553.46	4.55
Press Conf/Meetings	28,418.79	7.37
Translation/Proof	170.26	0.04
Interpretation	7,846.99	2.04
Local Transport Cost	49.79	0.01
Telephone	59.49	0.02
Freight	625.35	0.16
Printing Supplies	902.24	0.23
Contract Printing	694.36	0.18
<u>Total Expenditures</u>	<u>201,122.34</u>	<u>52.19</u>
<u>Unspent Balance</u>	<u>184,277.66</u>	<u>47.81</u>



Categories and numbers in above table and below chart are Trust Fund system generated; percentage calculations may reflect minor rounding errors. Percentages are system generated and rounded to compute a 100% total. Due to accounting cut-off dates, the disbursement does not include the costs of the workshop conducted on 25 and 26 June 2009.



Curricula Development and Education and Training Reform

Component 2

(i) Overview

One of the conclusions of the World Bank's Accounting and Auditing Reports on the Observance of Standards and Codes (A&A ROSCs) has been the need for strengthening current accounting education at both

maintenance of an e-based information portal, development and implementation of regional training programs for trainers, facilitation of text book development, and similar activities.

Communities of Practice - A New Approach to International Development

Communities of practice are groups of people who share a passion or a challenge in something they do and learn how to do it better as they interact regularly. They have been around for as long as human beings have learned together: a tribe learning to survive, a group of engineers working on similar problems, a network of surgeons exploring novel techniques, a gathering of first-time managers helping each other cope. The concept of community of practice is influencing theory and practice in many domains. The emergence of web technology has greatly accelerated this process. The concept was grabbed by businesses interested in knowledge management and has progressively found its way into other sectors. In international development, there is increasing recognition that the challenge of developing nations is as much a knowledge as a financial challenge. A number of people believe that a communities-of-practice approach can provide a new paradigm for development work. It emphasizes knowledge building among practitioners. Some development agencies now see their role as conveners of such communities, as well as providers of knowledge.

university and pre-professional levels in Central and South East Europe. The strengthening and improvements are required to meet internationally recognized standards. Among the main reasons for the status quo are the difficulties with sustainable translation models for International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), outdated education curricula and training materials, lack of high-quality professional development programs, and the absence of internationally recognized networks encouraging high-quality education.

As a consequence, REPARIS participating countries have indicated a need for assistance in improving their academic accounting education systems and in establishing pre-qualification professional training aligned with international best practices. REPARIS will support the development of tools, methodologies and regional training curricula for professional education in accounting and auditing, communities of practice and collaboration with EU peers, development and

For the following reasons it was decided to adopt a community of practice approach as an innovative and client-driven method to facilitate the improvement of financial reporting in REPARIS participating countries:

- One of the key requirements for better financial reporting is the development of new skills among practitioners in the region.
- The region presents a unique situation, in which practitioners need to adapt what has been done elsewhere creatively rather than simply copy and implement.
- Financial reporting involves multiple players who have historically worked in silos, but whose different perspectives and experience need to be brought together into common practices.
- A community of practice enables a set of regional countries to leverage each other's learning, approaches, and resources without imposing a uniform system.

(ii) Delivered Activities

In the course of the coming years, the Program aims to initiate a constellation of communities of practice on different topics in a gradual manner in order to create a learning system to develop the full range of capabilities required for effective financial reporting.

It has started with a pilot community of practice in the domain of accounting and auditing education. The Accounting and Auditing Education Community of Practice (Education CoP) has successfully been developed and launched through three meetings.



"We are trying to create a learning partnership among practitioners across the entire region. This is a new way for the Bank to work and we try to do that in a way that serves the needs of each country, helping the Professional Accountancy Bodies, Governments and Universities develop a world standard accounting education system."

Etienne Wenger, Community of Practice Thought Leader

Initial Workshop

9-10 Feb 2009, Vienna

In February 2009, a two-day session was held for the CFRR to learn about the cultivation of communities of practice and to begin initial work on the Education CoP. The following aspects were among the main objectives of the discussions.

- *Conceptual framework:* Cultivating a community of practice is a very different approach to learning than developing a course, sending a consultant, or offering workshops. It requires good conceptual alignment among the members of the team that is going to lead the process. We reviewed the key concepts and principles of the methods and made sure that everyone was on the same page.
- *Cultivation models:* Taking the Education CoP as an example, the team went through a design template that uses a series of models for guiding the cultivation of a community of practice, including lifecycle and stages, learning activities, types of communities and associated profiles, roles and responsibilities, sponsorship, measurements, and technology.
- *Success factors:* After exploring the key success factors for a community of practice, there was a lively debate about the pros and cons of using the communities of practice approach to the improvement of accounting and auditing education in the region.
- *Potential obstacles:* Even though the debate came out in favor of initiating a community of practice, forcing the team to articulate the possible downsides of the approach revealed the potential difficulties that the team might encounter, including lack of internal leadership, cynicism, an expectation that knowledge will be fed from the outside, language barriers, as well as a history of conflicts.
- *Launch design template:* Once the decision to proceed had been reached, a template served as a basis for preparatory work of the community launch process. After the meeting, the team decided to fill the template in details in order to make explicit all the challenges and opportunities that exist in the potential community. Having this template filled out turned out to be a good resource for designing an agenda for the initial meetings.
- *Facilitation techniques:* Throughout the workshop a number of interactional techniques was used that are useful for facilitating interactions in communities of practice, including ice-breakers, world café conversation, prioritization exercise, open space, social mapping, and formal debate.

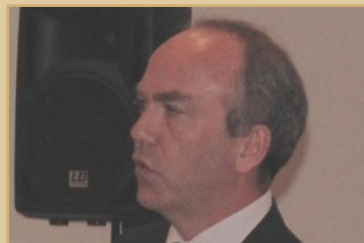
Exploratory Workshop - Accounting and Auditing Education in Central and South East Europe

6-7 April 2009, Vienna

A 2-day exploratory meeting with potential members of an Education CoP was organized on 6 and 7 April 2009. Representatives from the different institutions involved in education in each country, including professional bodies, universities, and government regulators were carefully selected and invited to this event.

The purpose of the meeting was to start a conversation across the institutions and to explore whether there was appetite for a regional community of practice to support the development of educational systems in each country. Some of the methods and tools presented in the initial workshop were used to facilitate the meeting in a way that would be the beginning of a community of practice. During the meeting, a detailed summary of common issues within the region found in the A&A ROSCs was presented to steer a discussion how the Education CoP may be beneficial. Professor Vladimir Kralicek from the Prague School of Economics explained the nature, impact and experience of the transformation of accounting education at the university level, by providing examples from the Czech Republic, and Professor Alfred Wagenhofer from Graz University discussed the role of research in the university-level accounting and auditing education. Furthermore, the role of professional bodies, international education standards and universities in the development of accounting and auditing education were also given a special attention. Mark Allison, chairman of the International Accounting Education Standards Board (IAESB) provided an outline of the nature and

significance of International Education standards (IES), and highlighted the IAESB's work in developing them. In the end, participants agreed that the concept of cultivating a regional Education CoP would help in accelerating the development of the professional accountancy education agenda in each country.



"International Education Standards (IES) are particularly useful in guiding the region as it moved to adoption: though there are many cultures, traditions, countries and economies represented here, and stakeholders such as universities and professional bodies, the IES focuses attention on the common challenges faced by all."

Mark Allison
Chairman, International Accounting Education
Standards Board

The group identified a preliminary learning agenda for the Education CoP around the main issues which concerned all of them. These included establishment of a link between universities, professional bodies, business community and government, the quality of financial reporting, improvement of the legislative framework and professional certification of accountants and auditors.

Prioritized list of common issues for accounting education in the region

- Link between university, professional body, business, and government (43 votes)
- Increased emphasis on quality of financial reporting (26 votes)
- Improvement of legislative framework, alignment with EU law (25 votes)
- Professional certification of accountants (23 votes)
- Common content approach based on demand from employers (21 votes)
- Improve academic curricula (21 votes)
- Public awareness of the role of accountants, auditors, employers (19 votes)
- How to obtain funds for university research (11 votes)
- Internships – practical experience for university students (11 votes)
- CPD – implementing in similar/shared ways (9 votes)
- Research – dissemination of results, funding limited for research (4 votes)
- Harmonization of CPD programs leading to reciprocity (2 votes)



With the aim to provide enough background and access to expertise to the group, initially there was a strong focus with expert presentations. There was, however, also sufficient time where participants engaged with each other substantively which provided a good energy for the community development. Participants had a chance to experience the value of learning together. They got a taste of what it is like to work together and a sense of what could be achieved. They realized how important it is that the institutions

find alignment and they agreed that there was much to be gained by leveraging resources and learning at a regional level. The meeting was concluded with an agreement to proceed. There was enough common ground and enthusiasm to launch a community of practice. Some participants from the region even volunteered to be on the design team that would jointly with the World Bank team steer the establishment and launch process.

List of participating institutions

Albania	<ul style="list-style-type: none"> • Director of Accounting and Financial Reporting Department, Ministry of Finance • Director, Albanian Institute of Authorized Chartered Auditors (IEKA) • President, Institute of Chartered Accountant of Albania (IKM) • President, Albanian Institute of Authorized Chartered Auditors (IEKA)
Bosnia and Herzegovina	<ul style="list-style-type: none"> • Secretary General, The Association of Accountants & Auditors of Republic of Srpska • President of Steering Board, The Association of Accountants & Auditors of Republic of Srpska • President, Union of Auditors, Accountants, and Financial Workers of the Federation of Bosnia and Herzegovina • Assistant, Board of Directors, Union of Auditors, Accountants, and Financial Workers of the Federation of Bosnia and Herzegovina • President, Board for International Cooperation and Public Relations, Union of Auditors, Accountants, and Financial Workers of the Federation of Bosnia and Herzegovina • President, Commission for Accounting & Auditing of Bosnia and Herzegovina • Member, Board of Directors, Union of Auditors, Accountants, and Financial Workers of the Federation of Bosnia and Herzegovina • Member, Commission for Accounting and Auditing of Bosnia and Herzegovina • Assistant Minister, Ministry of Finance and Treasury
Croatia	<ul style="list-style-type: none"> • Research & Teaching Assistant, Faculty of Economics and Business, The University of Zagreb • Member, Croatian Auditor's Public Oversight Committee • Professor, Faculty of Economics and Business, The University of Zagreb • Head of Unit, Ministry of Finance
Kosovo	<ul style="list-style-type: none"> • Executive Director, Society of Certified Accountants and Auditors of Kosovo • Assistant ; Regional Manager, University of Pristina; WUS-Austria • Representative, Kosovo Board for Standards for Financial Reporting
Macedonia	<ul style="list-style-type: none"> • Vice Dean for Finance, Full time Professor, Faculty of Economics, University of Cyril and Methodius, Skopje • Head of Unit, Ministry of Finance • Secretary General, Institute of Certified Auditors of the Republic of Macedonia (ICARM)
Moldova	<ul style="list-style-type: none"> • Lecturer, Academy of Economic Studies of Moldova • Chief, Academy of Economic Studies of Moldova (ASEM) • Executive Director, Asociatia Contabililor si Auditorier Profesionisti din Republica Moldova (ACAP RM) • Dean, Accounting Department, Academy of Economic Studies of Moldova
Montenegro	<ul style="list-style-type: none"> • Vice Dean, Faculty of Economic, University of Montenegro, Podgorica • General Secretary, Institute of Certified Accountants of Montenegro • Senior Advisor, Ministry of Finance
Republic of Serbia	<ul style="list-style-type: none"> • Professor, University of Belgrade Faculty of Economics • Member, National Accounting Commission • Education Director, Serbian Association of Accountants and Auditors • Head of Auditing Group, Ministry of Finance • Secretary General, Chamber of Auditors

Workshop - Working together on developing Accounting and Auditing Education in Central and South East Europe

23-24 June 2009, Vienna

On 23-24 June, a community of practice launch meeting was held. Most of the participants from the exploratory meeting joined again, along with a few new additional representatives. The purpose of the meeting was to start establishing the community of practice and to put the group into a mode which would allow them to act as a community, discover what the different countries are doing, and become very explicit about what needs to be achieved by the group. An additional objective was to facilitate a process that participants would start working on something specific together and to leave with a shared vision of the community over the next three years.

The major activities included significant time allowing participants to explore what each country is doing and engaging participants in discussing their experiences. This process was facilitated by Etienne Wenger who encouraged participants to articulate what they would like to know about each other. Then in response to this list of questions, each group was asked to create a booth about accounting education in their country providing the necessary information for others. The first day concluded with a list of things they could do as a region to help address the issues voted on at the exploratory meeting. Additionally, the community used a questionnaire to start exploring more systematically how each country implements international standards. The goal of this initiated activity is to create a document that compares the different implementations and outlines an ideal regional approach. Finally, the

community came up with a three-year timeline for its future activities.

Participants learned significantly from explaining and exploring what each country was doing. In fact, they were so eager to engage with each other that we did not quite leave enough time at the end for negotiating a shared vision for the community. While the group did create a timeline over three years, it remained too sketchy to constitute a full commitment to a defined process.

The main outcome is that participants seem to have started to feel like a community and are committed to the process. They are starting to know each other and have a good sense of local and regional achievements and challenges. Furthermore, they have created a list of concrete things they want to produce together. Even though the timeline will require a bit more work to have enough detail about process, they have a sense of the scope of their mutual commitment.

Now that the community of practice is launched the next major task will be to build appropriately on the momentum created. Each group committed to completing the questionnaire to work towards completion of a full document analyzing the implementation of international standards in the region. In addition, it is planned to meet again physically this coming autumn and via video-conference in the mean time. The core areas of focus of the next meeting will include the review of the synopsis of implementation of international standards and the initiation of work on one or two items related to international standards from the list of useful products participants have created at the launch meeting.

Launch meeting: List of useful products that the community should work on

- Survey of legal framework to assess compliance with EU legislation, in the education and training field
- Define accreditation criteria for university education
- Prepare a model of accounting education
- Find a way for both formal and informal cooperation with clear and substantive objectives. International regulation as a benchmark to find common issues
- Review existing education programs
- Conduct surveys to find common issues
- CPD roster system
- Regional auditing software tools for training /practice
- Monitoring software
- Current practice guide to implementing IES
- Concordance survey of compliance with laws, best practices, etc.
- Publishing a summary report of ROSCs in the region with recommendations on education and training



What participants say:

"We would like to have mutual recognition of professional certificates of all professional bodies in the region."

"The challenge is the harmonization of university and professional bodies' curricula and continuous professional development".

"Political change hinders the implementation of new financial reporting laws that meet international standards."

List of participating institutions

Albania	<ul style="list-style-type: none"> • Director of Accounting and Financial Reporting Department, Ministry of Finance • Director, Albanian Institute of Authorized Chartered Auditors (IEKA) • President, Institute of Chartered Accountant of Albania (IKM) • President, Albanian Institute of Authorized Chartered Auditors (IEKA)
Bosnia and Herzegovina	<ul style="list-style-type: none"> • Member of Board of Directors, Association of Accountants and Auditors of Federation BiH • President of Steering Board, The Association of Accountants and Auditors of Republic of Srpska • Member of International Accountancy Standards Board, The Association of Accountants and Auditors of Republic of Srpska • Assistant Minister, Treasury, Ministry of Finance
Croatia	<ul style="list-style-type: none"> • Advisor, Ministry of Finance
Kosovo	<ul style="list-style-type: none"> • Executive Director, Society of Certified Accountants and Auditors of Kosovo • Assistant ; Regional Manager, University of Pristina; WUS-Austria • President, Kosovo Board on Standards of Financial Reporting (KBSFR)
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Moldova	<ul style="list-style-type: none"> • Member of Board of Directors, Association of Professional Accountants and Auditors of the Republic of Moldova • Lecturer, Academy of Economic Studies of Moldova • Chief, Academy of Economic Studies of Moldova (ASEM) • Executive Director, Asociatia Contabililor si Auditorier Profesionisti din Republica Moldova (ACAP RM) • University Lector and Deputy Dean, Academy of Economic Studies of Moldova
Montenegro	<ul style="list-style-type: none"> • General Secretary, Institute of Certified Accountants of Montenegro • Senior Advisor, Ministry of Finance
Republic of Serbia	<ul style="list-style-type: none"> • Head of Department on Accounting and Auditing Regulation, Ministry of Finance • Education Director, Serbian Association of Accountants and Auditors • Head of Auditing Group, Ministry of Finance

Social Reporting Activities

To support the development of conversations and collaboration among participants and to facilitate the community building process, a technique called social reporting was applied for both events on 6–7 April and 23-24 June. Appropriate social media tools were carefully selected and put in place by World Bank staff. This included the establishment of a blog site in Wordpress (acceducop.wordpress.com) which functioned as an information, knowledge and news container for the informal narrative of the event. Event

participants were instructed and trained in how to use the blog and the various reporting tools such as blogging, video blogging, picture posting, commenting and other.

The number of visits to the blog was monitored and reached a total of 870 views right after the end of the second workshop. This number is expected to go up significantly over the next weeks when event participants are expected go back to the blog website to view recorded information, download presentations and retrieve other content.



"The three key activities of social reporting are:

- Preparing appropriate social media tools and preparing people to use them.
- Co-creating a shared memory of the event by participants.
- Improving horizontal conversations between people involved in the designing, presenting and participating in an event."

Beverly Trayner, Social Reporting Expert

In regard to initiating the activity and social reporting participation, World Bank staff took the lead during the 6-7 April workshop. Given the exploratory character of the meeting, it was regarded more important to capture the event activities rather than be too focused on facilitating conversations. For the 23-24 June workshop, which had a strong interactive and participatory character, a different approach was chosen. A social reporting group primarily consisting of program participants was created and was responsible for capturing insights during the event as a contribution to the blog and therefore strongly facilitated the interactive and conversational agenda.

Further training of the social reporting group in using

the various tools is needed but ultimately the activity was very supportive in the process of the community development. The social reporting angle was very helpful in co-designing the agenda. But moreover, social reporting allowed participants to create together a shared memory of the experience including a live blog of the event, video interviews, snippets, digital pictures and a download are featuring presentations and other. A movie and slideshow captured some of the key moments on the discussions and interactions. Most importantly, the activity significantly helped encourage conversations among community participants which ultimately were very conducive for the creation of a community feeling and the establishment of the community of practice as such.

Social Reporting

Social reporting is a new way of integrating the use of journalism, facilitation and social media into events. The idea is not only to capture and publish moments of the event, but to stimulate different types of conversations and collaboration among participants. In addition, social reporting helps event organizers to think about how to better reach people "in the room" as well as the people who are not there. Social reporting has grown in response to two important trends: one is the explosion of free online tools that tremendously open up communication and the publishing opportunities. A second trend is the growing recognition that many insights and learning that happen at face-to-face events take place during informal conversations or impromptu activities between participants and not necessarily in the formal presentations or sessions given by experts. Social reporting does not aim to produce a kind of formal account of an event but it tries to reach out to community members to help people develop conversations. It is a way of bringing more voices to the table and of surfacing some of the stories that help give context to the event.

Accounting and Auditing Education Community

FRONT PAGE ABOUT

Learning agenda – April 2009

Here are some videos taken from the exploratory workshop in Vienna in April 2009:

Ardiana Bunjak reports back from her group where she tells us: "We think that if we have a community of practice in place we can prepare together a research about business and professional needs and the creation of a legal framework ..."

GROUP PHOTO

Click [here](#) to see full size photo.

STAY INFORMED

This blog contains some of the shared memories and reflections of all people who participate in the community of practice for accounting education. It reflects collaboration, dialogue and differences in opinion and does not necessarily reflect the views of the World Bank.

[Receive new blog posts by e-mail.](#)

(iii) Results, Monitoring and Evaluation

The most significant outcomes of the activities performed so far include the recognition by the participants that a problem exists, the recognition that the problem should be addressed in the immediate future, the recognition that the regional approach may be the most efficient way of addressing the issue, and, a willingness to work and contribute to the common objective, i.e., to the strengthening of A&A education.

The participants agreed to work in a community of practice and have shown interest in the activity, demonstrated, for example, by performing “homework” such as preparing information briefs about various accounting-related topics in their countries.

Now that the community is successfully launched the next major task will be to build appropriately on the momentum created. To take the process forward, it is planned to meet again physically this coming autumn and via video-conference connections in the mean time.

Overall, participation in the events was very high and relevant institutions represented. In addition, the community of practice was benefiting of the assistance of experts in the field. This led to a successful start of the initiative. However, the area of focus is complex and challenging which will require regular and strong commitment from both the CFRR and community participants. Given the complexity of the task it was recognized that in the initial phase physical meetings are more conducive to the establishment of the community than video-conferences and GDLN sessions. For that reason, video-conferencing will only be used in the upcoming program year. All in all, the Component met all intended first year objectives and outcomes and the launch proved successful.

Since the activity was still in the establishment process, no formal evaluation was done. However, to ensure input from participants is received in a timely fashion, significant time was given to feedback rounds during both events. In addition, a site visit monitoring tool was integrated into the blog which showed that more than 800 hits were received in the first month of the opening.

(iv) Conclusion and Outlook

Recent experience in the region has demonstrated that education reforms are difficult to implement and to sustain. The objective of the Program is to create a platform for the discussion of issues and identification of alternative solutions which then would be implemented at a country level, possibly also with CFRR support (using a separate project).

The project has succeeded so far in identification of appropriate stakeholders and drawing their attention to the accounting education issue. Participants have agreed with the overall objective. The application of the community of practice model, including social reporting has proven to be attractive for the

participants, to stimulate their interest and to encourage their participation.

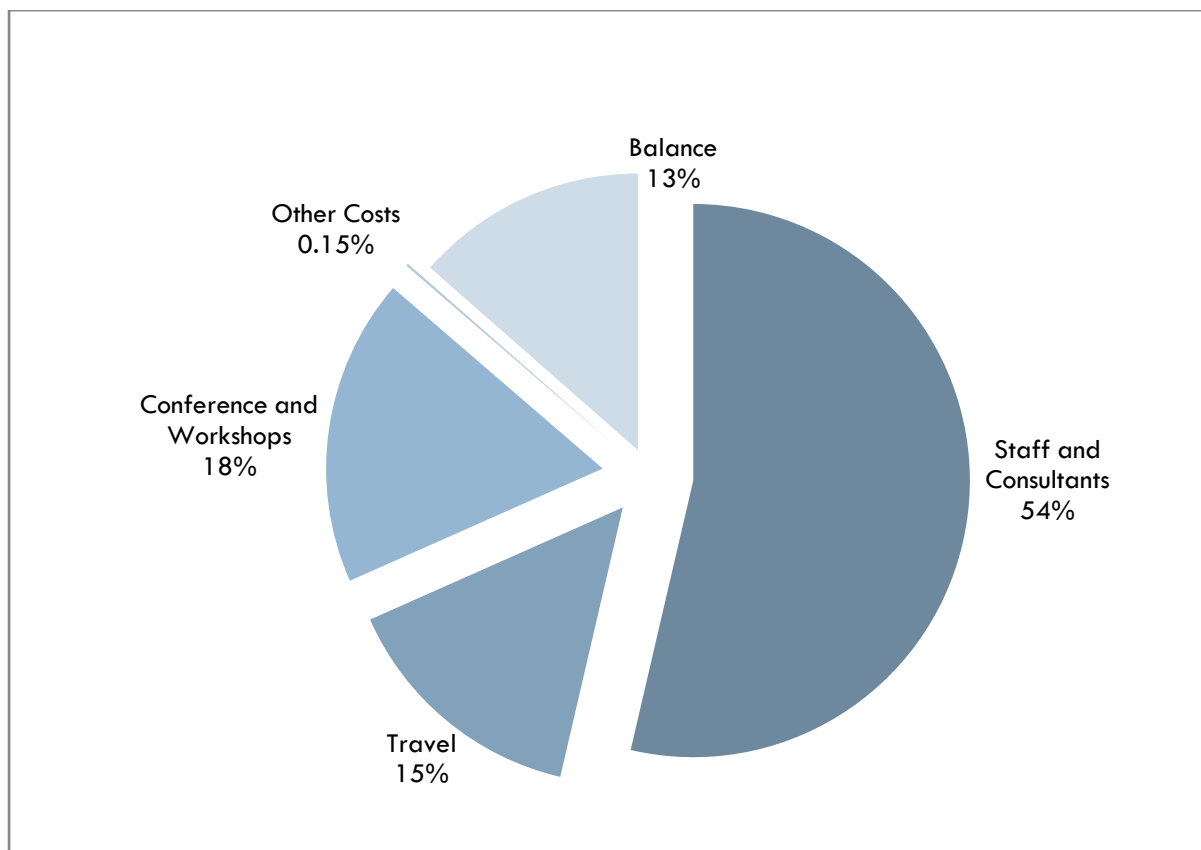
The CFRR is encouraged by the progress accomplished so far. Even though many difficulties exist and additional difficulties may emerge, it seems likely that the project got off to a successful start and it is expected that, on the conceptual level it will eventually succeed. To translate the results achieved in this project into a successful implementation of the reform will also become, eventually, one of the challenges that will be addressed by the project in due time.

**(v) Financial Report**

Expense Category	EUR	%
<u>Total Budget</u>	<u>160,100.00</u>	<u>100.00</u>
Other Benefits	17,909.71	11.19
Ext. Term Temp	421.70	0.26
Ext. Term Temp Benefits	126.51	0.08
Salary Charges	38,960.21	24.33
Reposted Overheads	68.61	0.04
Short Term Consultant	12,883.00	8.05
Ext. Term Consultant	11,931.86	7.45
Ext. Term Cons Benefits	2,656.73	1.66
Short Term Temporary	911.25	0.57
Travel Airfare	2,794.80	1.75
Travel Subsistence	6,188.93	3.87
Travel Other	258.10	0.16
Other Travel	14,324.18	8.95
Press Conf/Meetings	24,747.06	15.46
Translation/Proof	73.36	0.05
Interpretation	3,939.52	2.46
Telephone	102.42	0.06
Contract Printing	141.81	0.09
<u>Total Expenditures</u>	<u>138,439.76</u>	<u>86.47</u>
<u>Unspent Balance</u>	<u>21,660.24</u>	<u>13.53</u>



Categories and numbers in above table and below chart are Trust Fund system generated; percentage calculations may reflect minor rounding errors. Percentages are system generated and rounded to compute a 100% total. Due to accounting cut-off dates, the disbursement does not include the costs of the workshop conducted on 23 and 24 June 2009.



Moving Forward in Accounting and Auditing

Component 3

(i) Overview

The goal of Component 3 is to provide the participating countries with a common base of knowledge and understanding of the key issues they must address in order to build a strong and sustainable financial reporting environment that complies with the relevant portions of the *Acquis Communautaire* and is aligned with international good practice. The Component will then build on this common base of knowledge and understanding to facilitate collaborative work leading to the design of practical approaches to implementation of the changes required in each country. The emphasis will be on promoting the joint exploration of common issues with a view to identifying cost effective implementation approaches that reflect the specific characteristics of the countries of the region. Significant progress in developing a regime that supports, promotes and enforces high standards of financial reporting will promote confidence and thus contribute to foreign direct and portfolio investment, foster private and financial sector development, improve the business environment and investment climate and facilitate eventual integration into (or harmonization with) the European Union.

To achieve these goals, Component 3 will seek to enhance capacity in the relevant countries and provide a foundation for broadening the base of practitioners with sound knowledge and skills in accounting and auditing, with a particular focus on those who will regulate and enforce high standards of accounting and auditing, thus promoting public confidence in financial reporting. The Component will provide representatives of participating countries, including senior civil servants, financial sector regulators, accounting and auditing bodies, and private sector firms with a unique opportunity to learn from leading experts. Importantly, it will also facilitate learning from each other through the sharing of experiences and the development of common approaches to issues that must be addressed effectively to improve the quality and reliability of accounting and auditing.

The specific activities undertaken as part of this Component and the priority given to each will evolve to reflect the themes identified from the senior officials' workshops conducted as part of Component 1. More specifically, there will be two primary areas of activity, one for accounting and one for auditing, with focused and specific work streams within each emerging from the needs identified by the participants.

All activities will be oriented towards achieving alignment of laws with the *Acquis* and supporting that alignment with effective oversight and enforcement mechanisms. Specific work streams will potentially include: IFRS application and implementation; IFRS for financial sector regulators; the relationship between general purpose financial reporting and financial reporting for tax purposes; designing and implementing an effective system of public oversight of statutory auditors; designing and implementing an effective system of external quality assurance for the conduct of statutory audits; and implementing an effective electronic filing and retrieval system for financial statements of incorporated enterprises.

The Component will engage carefully targeted groups of participants using a range of tools to facilitate sufficient regular contact to build the momentum and enthusiasm such that the work is ultimately driven by the participants and facilitated and supported by the CFRR. The primary delivery mechanism for knowledge sharing and problem solving will be communities of practice comprising individuals with a direct and specific interest in the topic areas. These will be facilitated to enable the groups to drill down in greater depth with respect to specific thematic issues, helping to develop consistent solutions to common problems faced across the region. Engagement will be built and maintained by using a combination of face to face meetings interspersed with meetings that use GDLN technology and other forms of technology to support an ongoing dialogue.

(ii) Activities under Preparation and to be delivered in Project Year FY10

IFRS seminar for financial market supervisors

November 2009

The current financial market situation has highlighted the importance of effective supervision of the financial sector, including banks and insurance companies of all sizes, if a realistic appraisal of the health of the sector is to be achieved. Clearly this is key to avoiding unanticipated instability in financial markets and enabling timely supervisory steps to manage potential problem areas. A key element in effective supervision is supervisors that are well equipped to read, interpret and challenge financial statements prepared in accordance with International Financial Reporting Standards (IFRS). This requires not only a sound technical knowledge of IFRS but also an awareness of current thinking in relation to difficult areas of interpretation of IFRS, particularly with respect to accounting for financial instruments. The CFRR has engaged one of the most renowned experts in the field, Mr David Cairns, a former Secretary General of

the International Accounting Standards Committee, to work with the CFRR to develop an IFRS training seminar focused on the needs of financial market supervisors. Also, individuals who are active participants in the current international debate at the level of the Accounting Task Force of the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) are engaged to assist in ensuring the content of the course is both fully up to date and provides relevant insights. The process of designing the detailed program was initiated and CFRR staff will be working with senior officials from the countries of the region, among others, to ensure all of the key institutional and individual participants who will benefit from this seminar are identified. In the coming months, the program will be finalized, speakers confirmed, participants invited and the seminar logistically organized. It is expected that the seminar will be delivered in November 2009.

Update of the publication Corporate Accounting and Auditing within the Acquis Communautaire

November 2009



Several REPARIS participating countries seek accession to the European Union whose legal framework is reflected in the *Acquis Communautaire*. This publication provides an overview of the European Union legislative framework governing corporate sector accounting and auditing and addresses the harmonization of accounting and auditing in the EU. It also provides a brief history and overview of the EU and its institutions, discusses the development of the Internal Market and the areas of financial market integration and company law. It is designed to provide a useful reference for policymakers, regulators and other stakeholders in REPARIS

participating countries and will also be helpful to those with only limited prior knowledge of the *Acquis*.

The publication was first issued in March 2007. To ensure that REPARIS participants are provided with the latest information and an update on any relevant developments and emerging issues, the guide will be revised and updated. The CFRR is in the process of updating the content as necessary and it will then be reviewed by senior officials from the European Commission to ensure quality. The revised document is planned for release in conjunction with the Ministerial conference and associated events.

(iii) Results, Monitoring and Evaluation

The importance of well trained financial market supervisors who are knowledgeable about the application of IFRS and understand their implications in relation to the financial sector has been highlighted by the current financial crisis. In addition, raising the level of knowledge of the *Acquis Communautaire* in the area of financial reporting is of key importance to countries striving to achieve EU accession. For these reasons the IFRS seminar and updating of the publication Corporate Accounting and Auditing within the *Acquis Communautaire* were selected as initial activities in Component 3. These activities are expected to provide significant momentum to further the financial reporting agenda in the region. They will also demonstrate to senior officials and Ministers from the countries of the region the direct relevance of Regional REPARIS in current circumstances and provide a basis from which additional activities in other areas of key interest can be launched.

Work has commenced on preparing the IFRS seminar for financial sector regulators and updating of the *Acquis Communautaire* publication for delivery in late

in 2009. A later than expected program start date led CFRR staff to conclude that it would be premature to attempt to deliver either product prior to 30 June 2009, as originally planned. To do so would have foregone the benefit of the extensive inputs expected to be generated from the Senior Officials' workshops included in Component 1. The appropriateness of this decision has been validated by the extensive input generated at the workshops and the IFRS seminar can be presented more efficiently and cost effectively in conjunction with other activities later in 2009.

As with all components of the Program, participant evaluations will be sought for the IFRS seminar both with a view to evaluating its success in achieving the desired learning goals and with a view to improving the effectiveness of delivery of future seminars and workshops. The content of the *Acquis* publication will be validated by experts at the European Commission. Consideration will also be given to how to obtain input from those who use the publication as to its relevance and effectiveness in meeting their needs.

(iv) Conclusion and Outlook

Both senior officials' workshops provided significant input to the main topics of relevance to advancing the financial reporting agenda through the Regional Program. It was agreed to establish communities of practice in the area of accounting and in the area of auditing. The specific topics to be addressed in these communities and the approach to dealing with them will be developed by the community participants in their initial meetings but a clear demand was expressed to explore issues relating to: the development of effective audit quality assurance and

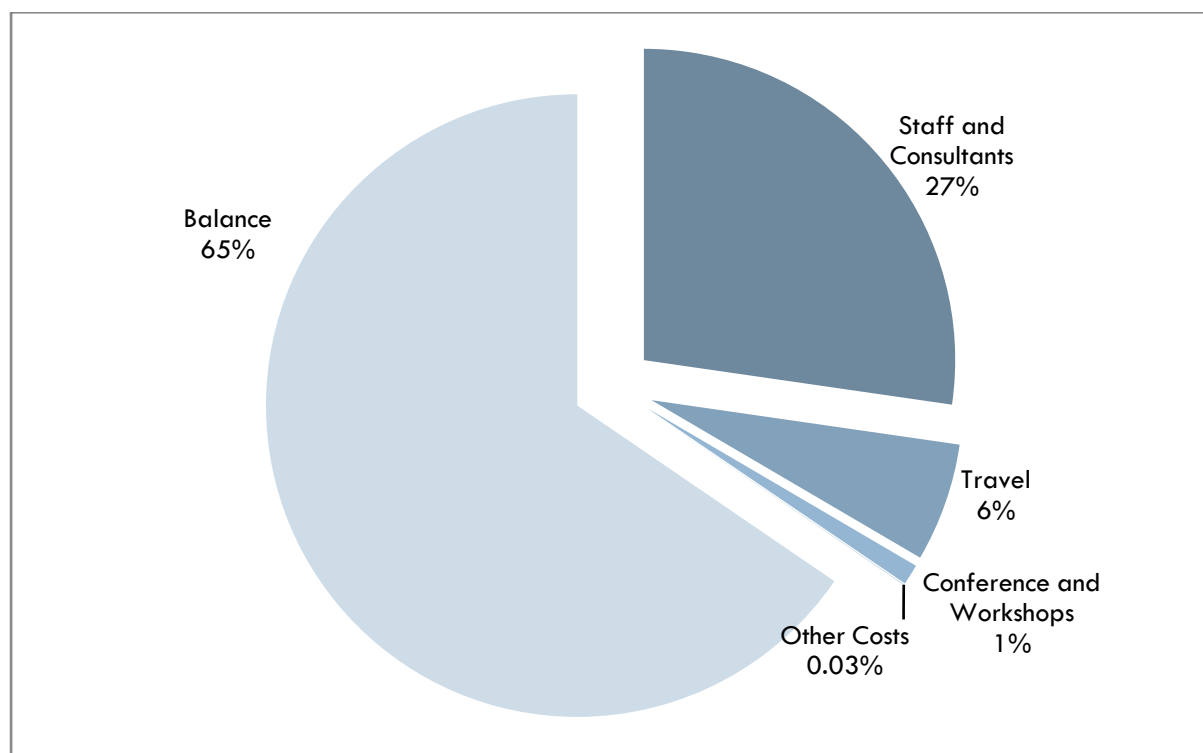
public oversight mechanisms; the scope of application of International Financial Reporting Standards; building knowledge and expertise in relation to International Standards on Auditing (ISA); exploring the link between general purpose financial reporting and financial reporting for tax purposes; and accounting standards for SMEs.

To meet this demand, it is planned to scale up Component 3 significantly in the new program year.

**(v) Financial Report**

Expense Category	EUR	%
<u>Total Budget</u>	<u>123,600.00</u>	<u>100.00</u>
Other Benefits	2,040.99	1.65
Salary Charges	7,297.50	5.90
Reposted Overheads	-130.25	-0.11
Short Term Consultant	24,514.00	19.83
Travel Airfare	1,726.26	1.40
Travel Subsistence	3,179.75	2.57
Travel Other	826.34	0.67
Other Travel	1,875.00	1.52
Press Conf/Meetings	597.00	0.48
Interpretation	720.00	0.58
Telephone	39.95	0.03
<u>Total Expenditures</u>	<u>42,686.54</u>	<u>34.54</u>
<u>Unspent Balance</u>	<u>80,913.46</u>	<u>65.46</u>

Categories and numbers in above table are Trust Fund system generated; percentage calculations may reflect minor rounding errors. Percentages are system generated and rounded to compute a 100% total.



Implementation Support and Monitoring and Evaluation

Component 4

Knowledge Management

(i) Overview

Knowledge management activities in support of the Program primarily took place in three main areas. Work to develop an information portal and website was started while the existing template was further developed to meet the Program's immediate needs. In addition, knowledge management took a lead in mainstreaming the concept of communities of practice into the Program, and to update and upgrade the inhouse Global Distance Learning Network (GDLN) capacity, so GDLN programs can be rolled out. Furthermore, knowledge management engaged in knowledge exchange with several United Nations agencies, primarily in the area of communities of practice.

Information portal and website

The strategic goal of Regional REPARIS is to provide its partners and beneficiaries with cutting-edge knowledge and technical expertise in corporate financial reporting. Reflecting the changing demands of the REPARIS stakeholders, the CFRR seeks to expand the range and use of knowledge management (KM), including an effective KM tool in the form of a state-of-the art website and information portal. In order to achieve the above-mentioned strategic goal, it was concluded that the website and information portal would serve three strategic objectives:

- Information, public relations and partnerships which would help increase awareness of and interest in REPARIS and its secretariat
- Knowledge management and information portal which would help provide comprehensive knowledge and information on financial reporting
- Knowledge facilitation which would facilitate knowledge transfer and catalyze new knowledge products including e-learning

The website is intended to provide knowledge, information and tools including documents, statistics, publications, news, case studies, and good/best practices. In addition, the website is intended to offer: (i) a dedicated e-learning space for clients to access learning program related information and the content of the learning sessions in a form of web stream and video; and (ii) social media tools to allow clients to engage in dialogues and discussions via a community-driven platform (i.e. discussion forum or blog).

Primary beneficiaries of the website are representatives from institutions of REPARIS countries that are responsible for policy and strategy related to financial reporting. Among these are ministries of finance, associations of accountants, chambers of auditors, financial sector regulatory bodies, private accounting and auditing professionals, and academe. A secondary target group would extend broadly to other partners including the bilateral and international development partners, the private sector, representatives of standard setting and regulatory bodies, and specialists within the World Bank.

Communities of practice

A community of practice (CoP) is a knowledge-based network featuring peer-to-peer learning and facilitating the transfer of best practices and the development of innovative solutions. It is a social learning system where practitioners connect to solve problems, share ideas, and develop relationships with peers and stakeholders. Hence, communities of practice leverage knowledge and learning, and it has tremendous potential and significant operational relevance to REPARIS. Since this area is of high priority to the World Bank, World renowned expert Etienne Wenger was made available by the World Bank Headquarters to support the mainstreaming of the concept into the Program.



Communities of Practice and the World Bank

The market for knowledge becomes extremely competitive and the need for advice has never been greater. For that reason, the World Bank aims to be a top quality knowledge and learning-based institution and knowledge and learning became one of the World Bank's Six Strategic Themes. In view of its importance, senior management set up a Knowledge Strategy Group which identified communities of practice as a key concept for knowledge sharing and innovation.

A CoP initiative was launched in late 2008 to strengthen the World Bank's activities in this area and to maximize the knowledge and learning benefits. A major contributor to this initiative is Etienne Wenger who is the renowned expert in the field and the person who coined the term Community of Practice. One of the initiative's main activities was to conduct a number of assessments and pilots throughout the Bank. The Vienna World Bank Centre for Financial Reporting Reform was selected as an office to receive direct support. This means that the opportunity was created to develop together with Etienne Wenger a community of practice for REPARIS.

Global Distance Learning Network

The Global Distance Learning Network (GDLN) is a worldwide partnership of learning centers, GDLN affiliates that use technologies to connect people. It offers interactive distance learning techniques to implement capacity enhancement, knowledge-sharing, training, consultation and dialogue events in a cost-effective manner. As the knowledge transfer, learning and exchange is at the core of the Program, GDLN was adopted as one of the main delivery vehicles.

Conference management

Professional conference management helps ensure a high degree of logistical service quality in the delivery of events. A professional provider not only is specialized in the delivery of all aspects of conference management including travel arrangements, hotel room bookings, event registrations, meeting room facilitation and interpretation but with the given market knowledge also significantly contributes to ensuring an optimized costing structure of conferences and associated arrangements.

(ii) Delivered Activities

Web strategy development

A thorough analysis of the website needs concluded that the Bank's web publishing tool, ePublish, was not sufficient to meet the needs of the stakeholders. Therefore, it was decided that the new site needed to be developed serving the specific needs of REPARIS. During several internal meetings issues were discussed at length, and finally, a web strategy presented. The strategy paper concluded the analyses of target groups, competitors, the CFRR's strengths and weaknesses, and business opportunities and threats. Based on the target group information needs assessment, the key content structure was identified. The paper proposes an action plan and time line as well as preliminary budget and human resources for the website development. It also covers the performance monitoring and marketing proposals. As the planned new website will use an external content management system and be hosted by an external service provider, security clearance from World Bank headquarters is subject to well-defined

procedures. This lengthy process including discussions with World Bank IT experts about potential issues associated with information security is now completed, and it became evident that the risk to the World Bank's information system, system resources and reputation were limited and clearance could be granted. However, it was agreed that a security check to work with the World Bank's Information Security team needs to be included in the web development firm's terms of reference and the new website needs to strictly follow World Bank information security policies.

Further development of the current website as preliminary measure

To provide REPARIS participants with information right from the beginning, a preliminary measure had to be taken and the existing website had to be remodeled to make it faster, more user-friendly and more appealing for visitors. Main objectives included to inform visitors about REPARIS and its secretariat, to



make relevant information available for REPARIS workshops In order to make preparatory material available for current workshop participants and to provide them with online-learning tools, videos of prior REPARIS lectures and conferences have been reviewed and edited, and structured along the major topics.

Users can find relevant lectures easily and watch them at any time they want. All new videos including background reading materials and relevant links have been posted on the website and are available for public viewing.



Mainstreaming the communities of practice concept into REPARIS

With the overall program objectives in mind a careful analysis of available knowledge management techniques resulted in the fact that the concept Communities of Practice (CoP) was adopted as the preferred methodology for connecting people together in the spirit of learning, knowledge sharing, collaboration and development. The concept facilitates people connecting with each other through a shared set of problems and creates a dialogue and forum to solve problems and create new opportunities.

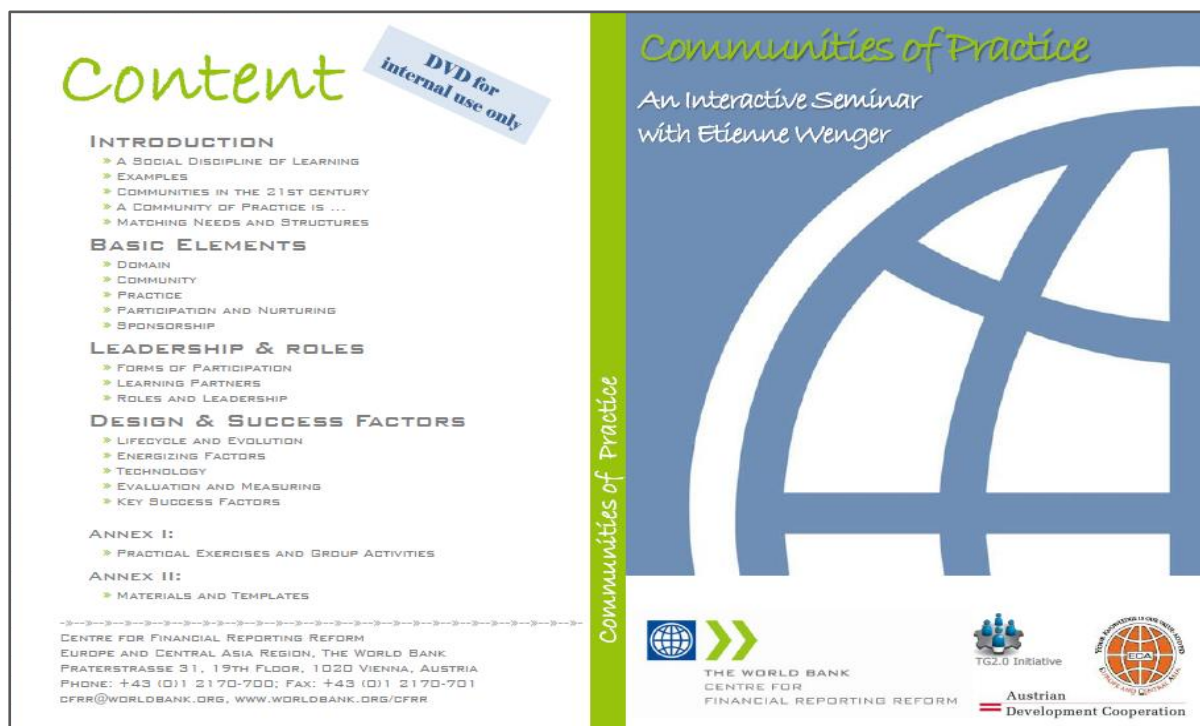
To ensure the concept was successfully mainstreamed into REPARIS, close cooperation was established with the respective World Bank team who agreed to make available CoP expert Etienne Wenger free of charge to the initial phase of the Program.

Furthermore, significant research was done to allow the concept to be broadly introduced to the CFRR. This paved the way for a training and initial design workshop with Etienne Wenger which was held in February 2009 and which is described more in depth in the section on Component 2.

Production of a communities of practice learning DVD

Research and materials available from the workshop conducted in February 2009 provided the basis for the knowledge product Community of Practice Learning DVD. The DVD provides an overview of the community of practice concept as well as detailed information on

the concept's various aspects including design templates and background materials. The DVD is a useful reference for CFRR team members leading communities as well as for community participants who would like to familiarize themselves further with the concept. Ultimately, the DVD provides a good understanding and useful basis for any community of practice established under the Program.



GDLN capacity upgrade

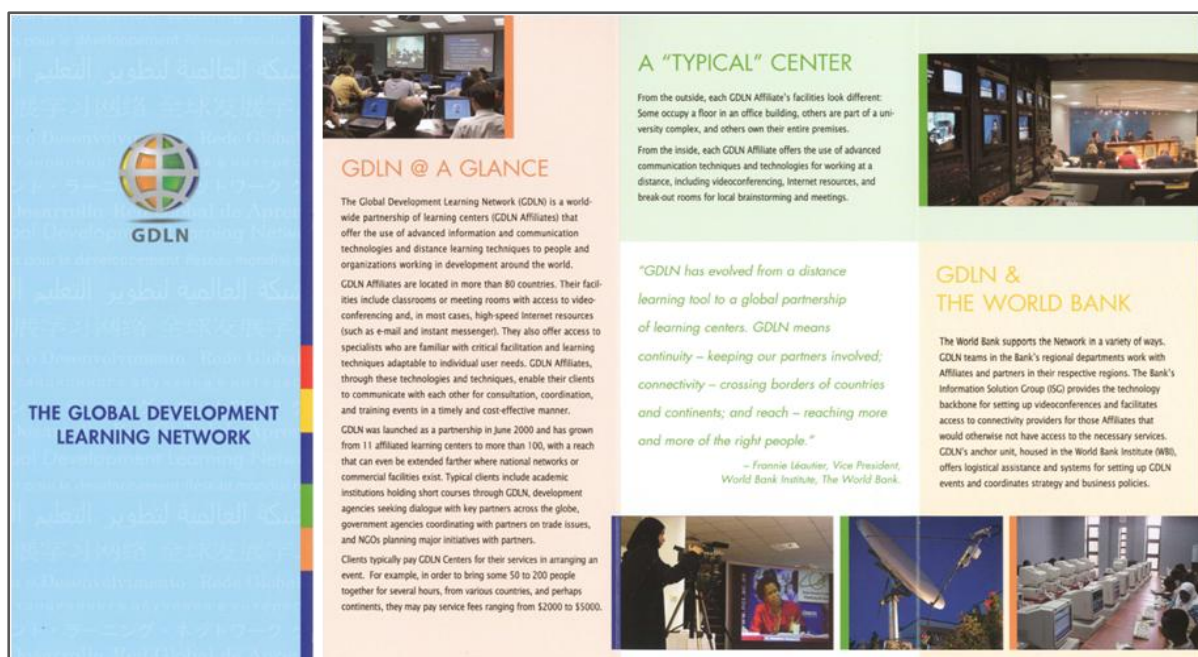
To prepare for the delivery of GDLN activities under REPARIS, the current status of the network, the available program partner institutions in the regions, the available services as well as the associated implementation costs were researched. The analysis concluded that the following partners are available for the implementation phase.

The preliminary cost analysis shows that it will cost about EUR 5,000 to connect all REPARIS program participating sites for two hour long sessions. The figure includes VC room rental, connection, interpretation, technical service, refreshment, printing, and other basic logistics costs.

Furthermore, comprehensive research was provided by a distance learning specialist in regard to the studio capacity and any needed improvements to ensure a high-quality program delivery and a high degree of learning experience.

Analysis of the Advanced Program in Accounting and Auditing Regulation

An earlier phase of REPARIS included the Advanced Program in Accounting and Auditing Regulation which was primarily delivered through GDLN. The Program consisted of nearly thirty modules and connected fourteen sites including Albania, Bosnia and Herzegovina (Banja Luka and Sarajevo), Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Turkey (Ankara and Istanbul), and Ukraine. To build on any experiences made during this Program and to ensure a consistent approach in regard to target institutions, knowledge management ensured to carefully analyze the set of participants of each module. Conclusions of the analysis suggest that the highest participation from each site consisted from academe, accounting professionals, auditors, regulators and supervisors as well as high ranking government officials. In addition, information on the participants numbers per country were researched. Ultimately, the research contributed to the analysis and decision, to bring the concept of communities of practice into play, and provided key information for the design process.



Mainstreaming conference management

In an attempt to professionalize the logistical organization and delivery of workshops and conferences, a professional service provider was identified. In a competitive selection process, the Vienna based agency Admicos was identified as the preferred vendor. While the March and April events were organized by the CFRR directly, Admicos facilitated the implementation of the June events. The partnership was very successful, and both events were from a conference management standpoint of very high quality. Ultimately, the partnership with Admicos leads to an increase in the logistical quality as well as a much improved costing structure due to the agency's significant experience and precise knowledge of the market. Furthermore, the partnership also allows for a beneficial division of labor of all involved parties, frees up resources on the CFRR's part and therefore leads to an improved technical quality of events.

Knowledge management exchange with the United Nations

As part of CFRR's knowledge sharing approach an active and ongoing dialogue with the Vienna based United Nations agencies was established with the objective to share lessons learned and learn together from best practice examples for the benefit of the Program. In this regard, several informal meetings took place which were followed by an invitation to the the first One UN Knowledge Café organized jointly by UNIDO and IAEA. The event "Becoming One UN: How we can create a culture of dialogue, collaboration and knowledge sharing within and across our Organizations" featured several presentations including some on the concept of communities of practice with experiences from WHO and IAEA. The event and specifically information on REPARIS relevant topics was very beneficial and provided a useful formal and informal opportunity for exchange.

(iii) Activities under Preparation and to be delivered in Project Year FY10

Selection of external web development firm and finalization of procurement

Having conducted preliminary research, the knowledge management team visited several web development firms in Vienna, Austria to identify a potential partner, and identified six short-listed firms who meet the qualification requirements. Simultaneously, in close consultation with Bank procurement specialists a detailed procurement plan for the firm selection was developed. The request for proposal was sent out to the short-listed firms at the end of May 2009, and the proposal due date was set by the end of June 2009. The evaluation committee that consists of five evaluators from the Bank will score respective firms' technical proposals followed by financial proposals. The final clearance is made by the procurement specialist and the Head of the CFRR. Considering summer holidays, the expected contract signing date will be around end of August or early September.

Implementation of the new website

To successfully implement the three strategic objectives, the assignment is divided into three phases:

conception, implementation, and support and maintenance. During the conception phase, the potential web developing firm will be responsible for formulation of a web strategy through workshops, formulation of website concept, development of screen designs and the provision of a comprehensive strategy paper. During the implementation phase, the prospective firm will be responsible for setting up the website and the content management system, project management, conducting quality check and launching the website, and training on the new content management system. The support and maintenance phase requires the prospective firm to provide web hosting service, technical support and maintenance of all aspects of the website, and ensure compliance with the Bank security policies. Ultimately, the planned new website will be able to transfer the CFRR's knowledge and expertise, support the communities of practice to exchange information and foster collaborative development efforts with stakeholders, and provide value added information tailored to evolving demands of the target group. The assignment is expected to start in mid September once the contract has been awarded and signed, and to be finalized about three to four months after the start-up.

(iv) Results, Monitoring and Evaluation

Knowledge management activities successfully supported the initial phases of REPARIS and significantly contributed to the mainstreaming of the community of practice concept into the Program, primarily Component 2 of the Program. This was complemented by much needed research, analysis and the development of supportive materials as well as knowledge exchange with other international institutions. In addition, the current website was further developed to meet the Program's immediate needs while significant preparatory work for the new information portal was undertaken. Due to unforeseen comprehensive and time consuming World Bank security checks the start of the implementation phase got slightly delayed and is now planned for the time after the summer break 2009 with an expected completion date in the first half of program year 2. Furthermore, the GDLN capacity was updated and is

in the process of being upgraded ensuring a high degree of quality learning once GDLN will be rolled out into the Program. The usefulness and success of the communities of practice concept was evaluated in the respective Components 1 and 2. Part of the website implementation phase is a close coordination and evaluation process to ensure a high degree of relevance of information and content provided on the newly developed portal. GDLN events typically are evaluated and evaluation results are consolidated after the completion of a series of events. This means once GDLN gets integrated into the Program, regular evaluations will be conducted. Lastly, professional conference management was mainstreamed into the Program leading to significantly increased logistical quality of events including a significantly improved costing structure.

(v) Conclusion and Outlook

Overall, the major aspects of the REPARIS knowledge vehicles, website, Global Distance Learning Network and video-conferencing, and the communities of practice concept were successfully initiated and mainstreamed into the Program. Initiated activities will be taken forward in the first half of program year 2 which specifically means the establishment and set up of a new, more user-friendly and more interactive

framework for the information portal and website including social media tools. This will ultimately support program participants by making available online the latest and most relevant information and by providing supporting materials to specific program events. In addition, now that face-to-face meetings established the necessary momentum a major focus of program year 2 will be the implementation of GDLN events.

Results Framework

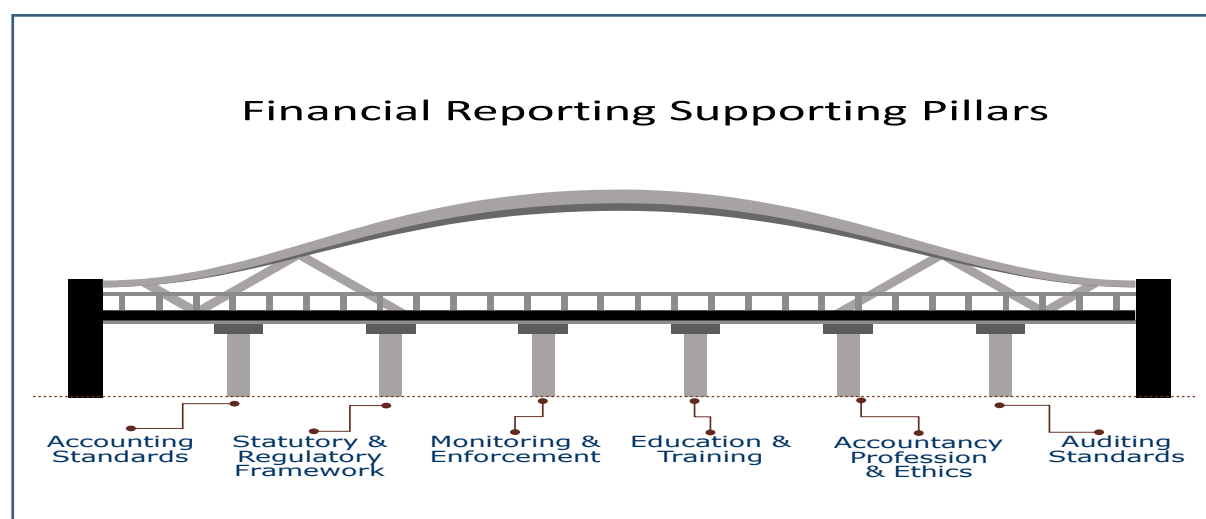
(i) Overview

Initial conceptual work was carried out by the CFRR and the World Bank Institute in early 2008 during which key participants and consultants were identified, an action plan was developed and the drafting of a framework system of indicators was started. The framework system will be unique in the development and financial reporting field and will enable countries to deliver the intended supervisory and regulatory results.

The main objective of this undertaking is to provide assistance and guidance to REPARIS countries in putting in place sound and comprehensive measures, policies and regulations to ensure solid financial reporting frameworks, including appropriate quality

assurance and supervision functions. It will also facilitate the monitoring and evaluation of progress made under REPARIS and similar programs

To begin the work on development of performance indicators and a results framework for measuring both the quality of countries' financial reporting systems and the impact of reform initiatives undertaken in implementation of CAPs for improvements in accounting and auditing, the CFRR will collaborate with academics, World Bank specialists and development experts in the field of accounting and auditing from relevant international institutions and bodies.





(iii) Activities under Preparation and to be delivered in Project Year FY10

Initiating activities

Activities that were initiated and which will be completed in program year FY10 include the preparation of terms of reference for a consultant to produce the issues paper, set up the core group of lead specialists under Component 3 to advise on the work on the indicators, and to re-establish the initial work with the World Bank Institute (WBI). These activities will be carried out in Vienna and Washington, DC.

Expected outputs include finalized terms of reference and the hiring of a consultant to prepare the issues paper on the work on performance indicators. Furthermore, it is expected that the work with the WBI will be re-established and the design of a results framework for capacity building in the field of corporate financial reporting including performance indicators will be well on its way.

(iii) Results, Monitoring and Evaluation

The main reasons for the delay in starting the work in this area result from delays in the preparation of new country-specific projects in the REPARIS countries to which results frameworks could be related. It was also

important to bring on board lead specialists under Component 3 to participate in the CFRR technical team for this activity.

(iv) Conclusion and Outlook

The outlook for the work to be carried out in FY10 includes the development of an issues paper on the scope and the process of the work on performance indicators. In addition, it is planned to complete the identification of a set of academics, specialists in the field of accounting and auditing from relevant international institutions and bodies and World Bank specialists to participate in the task force to define the terms of reference for preparing performance indicators.

Furthermore, it is planned to carry out two 2-day workshops with identified members of the task force at the CFRR and reputable academics and profession experts to discuss the issues papers as a basis for defining the terms of reference for the work on performance indicators. FY10 activities will also include a stock taking study on the existing practice of performance indicators currently being used in any form in the field of financial reporting.

Implementation Support

(i) Overview

This activity allows the CFRR to establish effective links between Regional REPARIS and country-specific REPARIS projects. It also facilitates the monitoring and evaluation of progress made. Objectives include to react on a timely basis to and to address country or institutional specific requests and needs to ensure consistent capacity levels among participating countries in the implementation of their specific CAPs in the area of financial reporting. Furthermore, objectives include to trouble-shoot specific issues during the

program delivery phase and to provide individual and specific institutions with tailored technical advice, as appropriate.

Beneficiaries of the activity include members of National Steering Committees, Project Implementation Units and various beneficiaries from country-specific REPARIS projects.

The CFRR project teams provide direct support to project implementation in a REPARIS country through

reinforced supervision missions, hand-holding assistance in drafting and reviewing terms of reference and the technical assistance contracts, quality assurance of delivered technical assistance services, project management and monitoring and evaluation of progress under project/reform

implementation. Implementation support missions (including field travel and video-conference consultations) and increased consultations with beneficiaries and project implementation units through audio and video-conference are practiced.

(ii) Delivered Activities

Support of Macedonia Action Plan

Implementation support was provided only to the ongoing Macedonia REPARIS project, which supports implementation of the CAP in the field of corporate financial reporting. Support was provided through three supervision missions carried out by the CFRR project team in January, April and June 2009, two video-conferences and improved communications and reporting to the key donors financing the project implementation.

Although the CFRR planned to start implementation support to execution of the CAPs in Albania and Bosnia and Herzegovina, delays in preparation of the country-specific projects in those countries meant that support was not required.

Beneficiaries in Macedonia were: the REPARIS Project Implementation Unit, the members of the National Steering Committee and various beneficiaries, including the Institute for Certified Auditors, the Auditing Council and the Ministry of Finance.

(iii) Activities under Preparation and to be delivered in Project Year FY10

Support of Country Action Plans

Continued implementation support to the Macedonia REPARIS Project is planned for FY10. Specific activities include the preparation of semi-annual progress report by August 2009 in Vienna, and field

supervision mission in September 2009, in Skopje. Furthermore, assistance will be given to the country-specific activities in Albania, Bosnia and Herzegovina, Moldova and Montenegro.

(iv) Results, Monitoring and Evaluation

The slow implementation and inadequate project management and program coordination were the key issues in implementation of the Macedonia REPARIS Project financed under a country-specific trust fund (by the Netherlands and Austria). The two donors and the World Bank management required corrective measures to improve project implementation and reporting as prerequisites to continue financing under the country-specific trust fund.

Given the link between the Regional REPARIS and country-specific programs, it was possible to turn the project around in a timely manner as a result of reinforcement of the CFRR project team and intensified field supervision. The Macedonia Action Plan was restructured, the project management improved, coordination of reform activities strengthened and the ownership was re-energized through intensified consultations with the CFRR staff and through the

participation of the policymakers and beneficiaries in the events organized under the Regional REPARIS.

The establishment of time-bound work and procurement plans, with critical milestones and monitorable inputs and outputs allowed for focusing on implementation of priority project activities and for effective monitoring. Monitoring was carried out through regular weekly meetings with the Project Implementation Unit and 3 field missions in six months.

Timely and relevant monitoring and periodic evaluation reports have been prepared and shared with donors. The commitment of the beneficiaries and champions of the REPARIS reform in Macedonia picked up as reflected in their proactive involvement in implementing planned project activities and reporting by the PIU to the National Steering Committee and the World Bank. The key donors recognized progress

achieved and were willing to consider extending the closing date of the trust fund to allow for completion of the undertaken project activities. The demand for sustaining expected results of the reform undertaken

under the ongoing project is strong and the Macedonian counterparts are asking for preparation of the follow-up project.

(v) Conclusion and Outlook

The experience with implementation support to the Macedonia REPARIS project demonstrated a constructive synergy between activities at the regional level and country-specific programs. Progress was notable in refocusing implementation on relevant reform related activities, while improving project management by promoting effective use of project work and procurement plans, and continued monitoring and coordination with donors.

Planned activities for FY10:

- Continued support implementation of the Macedonia REPARIS
- Assistance in mobilization of donor financing for implementation of country-specific projects in Albania, Bosnia and Herzegovina, Montenegro and Moldova.

- Start-up implementation support to carrying out REPARIS country-specific projects in Albania, Bosnia and Herzegovina, Croatia, Montenegro and Moldova.

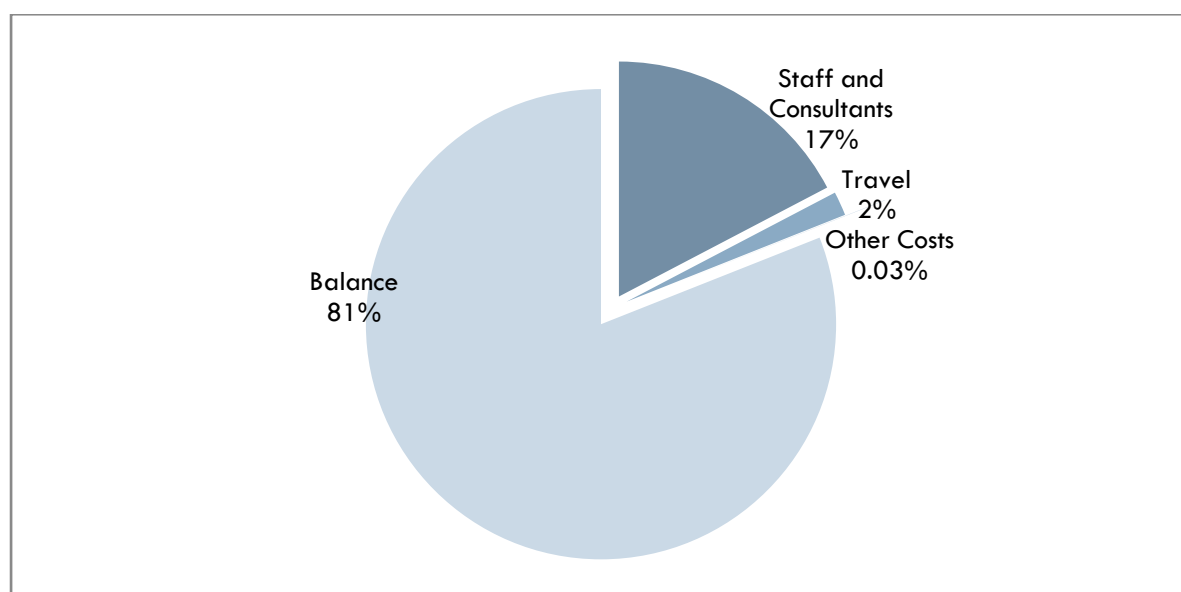
The Albania and Montenegro REPARIS projects are likely to become effective in the 3rd quarter of FY10 (January-March 2010) and the Bosnia and Herzegovina and Moldova REPARIS projects are likely to become effective by the 4th quarter of FY10 (April-June 2010). The Croatia Institutional Development Fund (IDF) for implementation of selected corporate reform activities became effective in June 2009.

Expected outcomes are timely and effective technical advice on implementation of the project activities included in the annual work plans and support to project management by assisting the procurement process in a timely manner.

(iv) Financial Report

Expense Category	EUR	%
<u>Total Budget</u>	<u>287,700.00</u>	<u>100.00</u>
Other Benefits	1,792.64	0.62
Salary Charges	3,585.29	1.25
Reposted Overheads	-104.20	-0.04
Short Term Consultant	17,563.50	6.10
Ext. Term Consultant	18,136.42	6.30
Ext. Term Cons Benefits	3,851.41	1.34
Short Term Temporary	5,025.00	1.75
Travel Airfare	1,088.57	0.38
Travel Subsistence	3,340.58	1.16
Travel Other	324.63	0.11
Press Conf/Meetings	0.00	0.00
Telephone	50.93	0.02
<u>Total Expenditures</u>	<u>54,654.77</u>	<u>19.00</u>
<u>Unspent Balance</u>	<u>233,045.23</u>	<u>81.00</u>

Categories and numbers in above table and below chart are Trust Fund system generated; percentage calculations may reflect minor rounding errors. Percentages are system generated and rounded to compute a 100% total. Due to accounting cut-off dates, the disbursement does not include any conference management or related costs of the workshops conducted from 23 to 26 June 2009.



Program Management and Administration

Component 5

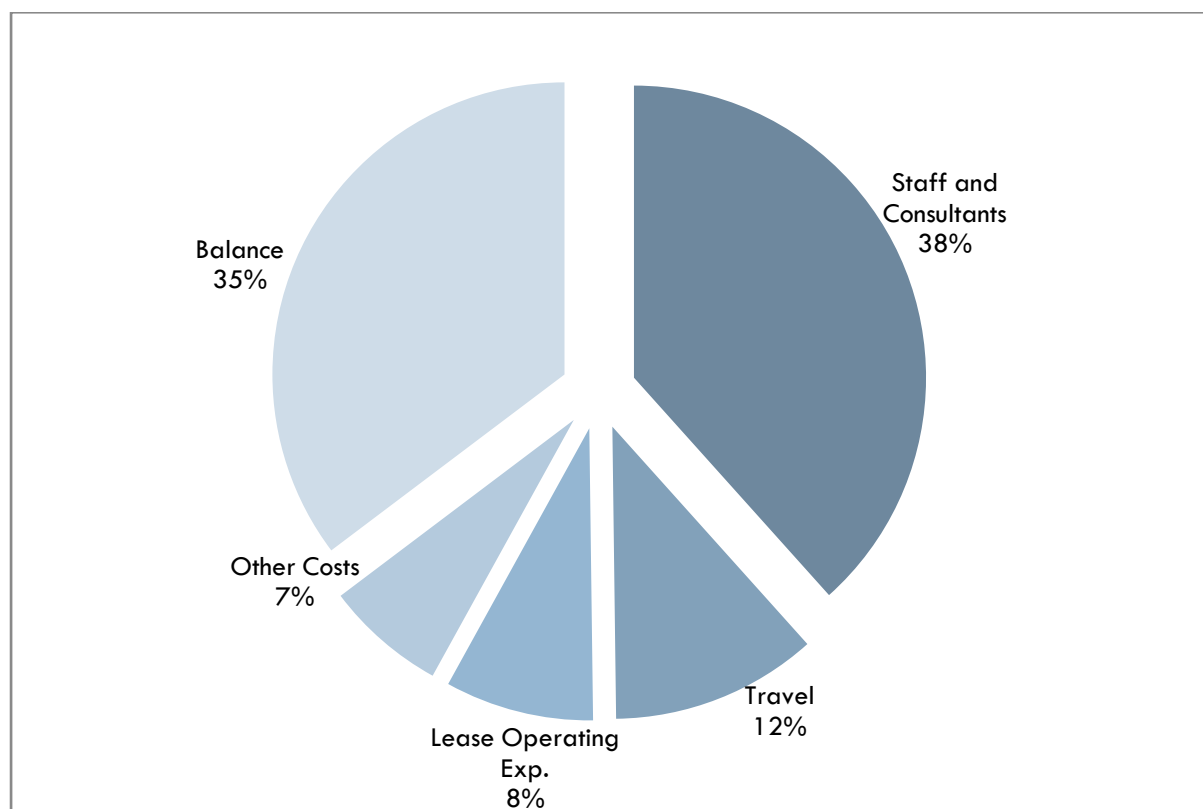
Whereas each component was managed directly, Component 5 supported the overall steering of the program including program management, operations support, office administration and office running related expenditure.

(i) Financial Report (Component 5)

Expense Category	EUR	%
Total Budget	158,440.00	100.00
Other Benefits	1,269.35	0.80
Salary Charges	6,920.49	4.37
Overheads Charged	425.78	0.27
Short Term Consultant	25,370.00	16.01
Ext. Term Consultant	15,631.10	9.87
Ext. Term Cons Benefits	2,484.56	1.57
Short Term Temporary	8,677.50	5.48
Travel Airfare	310.80	0.20
Travel Subsistence	17,793.00	11.23
Travel Other	13.20	0.01
Lease Operating Exp.	13,042.61	8.23
Office Equip Maint	434.72	0.27
Postage	79.69	0.05
Telephone	3,777.94	2.38
Utilities	1,830.94	1.16
Alterations & Maint	2,742.69	1.73
General Supplies	1,594.70	1.01
Contract Printing	57.88	0.04
Books & Periodicals	79.26	0.05
Total Expenditures	102,536.21	64.72
Unspent Balance	55,903.79	35.28



Categories and numbers in above table are Trust Fund system generated; percentage calculations may reflect minor rounding errors. Percentages are system generated and rounded to compute a 100% total.



(ii) Financial Summary of the Multi-Donor Trust Fund

<u>Trust Fund Name</u>	<u>Budget²</u>	<u>Budget Adjustments</u>	<u>Adjusted Budget</u>	<u>Disbursements</u>	<u>Investment Income⁵</u>	<u>Unspent Balance</u>
Component 1	385,400	0	385,400	201,122		184,278
Component 2	210,100	-50,000 ¹	160,100	138,440		21,660
Component 3	23,600	100,000 ¹	123,600	42,687		80,913
Component 4	337,700	-50,000 ¹	287,700	54,655		233,045
Component 5	158,440	0	158,440	102,536		55,904
Main Fund ²	22,760	100,000 ³	122,760	24,760 ³	11,805	109,805
TOTAL	1,138,000	100,000	1,238,000	564,200 ⁴	11,805 ⁵	685,605

¹ Budget adjustments as per donor consultation, 8 January 2009

² Main fund handles money management including 2% fee and available contingency

³ Additional contribution of EUR 100,000 made by the Government of Luxembourg made on 13 February 2009. This contribution was placed in the main fund.

⁴ Due to accounting cut-off dates, the disbursement does not include the costs of the workshop conducted between 23 and 26 of June 2009.

⁵ Refers to interest accrued from unspent funds

Outlook

The start-up period of the Program laid essential groundwork for the success of REPARIS. The Program and its features were comprehensively discussed with senior officials from REPARIS participating countries over the past few months. It received the much needed buy-in from the beneficiary countries to allow for first program activities to be launched.

With the Ministerial Conference to take place in the autumn of 2009, it is expected that REPARIS receives the political endorsement for the five year objectives and plans which will provide the formal basis for implementing activities defined in a participatory manner with beneficiary countries. In addition, the governance structure including the Regulatory Coordination Group, the Market Participants' Group and the Donor Advisory Council will be established and will provide essential support to the Program, both from substance as well as process points of view. These activities will complete the formal establishment processes within REPARIS, and provide a completion of the framework for program implementation.

Streams of activities were delivered or initiated in each of the program components, and it is expected that during the coming program year, each program component will be scaled up to the planned sequencing of activities.

More specifically, significant work with senior officials will continue in Component 1. It is expected that a GDLN series will be rolled out and further face-to-face meetings will be organized to ensure that the beneficiaries are kept informed about current developments on the financial reporting front as well as briefed on a regular basis in regard to program progress, as well as to specific decisions on the program agenda. GDLN will allow senior officials to meet via video-conference about every two months, and following the Ministerial Conference, a physical meeting is expected to take place in the second half of the coming program year.

In Component 2, the initial launch process for the Accounting and Auditing Education Community of Practice was successfully kicked-off. The group identified a preliminary multi-year agenda, and started to function as a practitioner group which facilitates mutual learning from each other, as well as

from CFRR sponsored best practices and technical experts. It is expected that the Education CoP meets again in a workshop in early autumn 2009 to allow for further preparatory work on the agenda as well as to agree on immediate next actions that can be shared with ministers on the occasion of the Ministerial Conference.

The Education CoP is expected to use GDLN as one of the means to collaborate and discuss, and to receive the needed technical assistance. Participants will likely meet through video-conference on a regular basis as well as they will meet physically two or three times during the coming program year. This will provide the basis for fostering the community development, as well as to agree on a final agenda, an action plan and to achieve immediate objectives.

Both senior officials' meetings organized in Component 1 provided a significant input to the main topics of relevance to advancing areas of accounting and auditing. With the experience made in Component 2, it was agreed to establish two additional communities of practice in accounting and auditing as the preferred learning and knowledge sharing means.

More specifically, in the coming months the launch process for an Accounting CoP as well as an Auditing CoP will be initiated, and allow for Component 3 to be significantly scaled up. The specific topics to be addressed in these CoPs and the approach to dealing with them will be developed by the community participants in their initial meetings. A clear demand was expressed to explore issues relating to: the development of effective audit quality assurance and public oversight mechanisms; the scope of application of International Financial Reporting Standards; building knowledge and expertise in relation to International Standards on Auditing (ISA); exploring the link between general purpose financial reporting and financial reporting for tax purposes; and accounting standards for SMEs. Also, the work on the *Acquis Communautaire* publication will be completed, and the publication is expected to be available before the Ministerial Conference.

From a knowledge management stand point the development and implementation of the website and information portal are of the highest priority. The



vendor will be selected within the next few weeks following a period of strategic and graphic design. It is expected that the product will be up and running in the first half of the coming program year. Furthermore, GDLN as knowledge sharing mechanism will be formally included into the Program. In this regard, event coordinating partners will be identified and instructed, delivery partners will be hired and trained, and all associated logistics will be put in place.

In the area of the establishment of a results framework and performance indicators, the coming program year includes the development of an issues paper on the scope and the process of the work. In addition, it is planned to complete the identification of a set of academics, specialists in the field of accounting and auditing from relevant international institutions and bodies and World Bank specialists to participate in the task force to define the terms of reference for preparing performance indicators. To carry forward this activity, it is expected that task force members

meet in two-day workshops as well as through video-conferencing.

Regional REPARIS will continue to support implementation of country-specific action plans. The support of the Macedonia Action Plan showed enormous synergies between the regional and country-specific programs that are to be realized for additional countries including Albania, Bosnia and Herzegovina, Croatia, Moldova and Montenegro.

It is expected that at the end of the coming program year, activities in each component are well under way and are delivering in line with the program objectives. Significant launch work will be completed and focus will be given to technical work and capacity development. It is expected that during the period following the coming program year significant skill enhancement as well as progress on institutional development will have been made and measurable results will start taking hold initiated in the Program.

