



Strengthening Financial Sectors

Republic of Armenia

Country Strategy and Action Plan for Enhancing Corporate Financial Reporting



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REPUBLIC OF ARMENIA

COUNTRY STRATEGY AND ACTION PLAN FOR ENHANCING CORPORATE FINANCIAL REPORTING

Ministry of Finance of the Republic of Armenia

The FIRST Initiative is supported by:



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List of Abbreviations and Acronyms

AAAA	Armenian Association of Accountants and Auditors
A&A ROSC	Report(s) on the Observance of Standards and Codes on Accounting and Auditing
ACCA	Association of Chartered Certified Accountants
ANQA	Armenian National Qualification Authority
CFR	Corporate Financial Reporting
CFRR	World Bank Centre for Financial Reporting Reform
CPD	Continuing Professional Development
CSAP	Country Strategy and Action Plan
EU	European Union
FIRST	Financial Sector Reform and Strengthening Initiative
HES	Higher Education System
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IES	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFRS for SMEs	International Financial Reporting Standard for Small- and Medium-Sized Entities
ISA	International Standards on Auditing
LOA	Law on Accounting
LOAA	Law on Auditing
NCG	National Coordination Group
NGO	Non-governmental organization
PIE	Public interest entity
POB	Public Oversight Board
QAS	Quality Assurance System
SOE	State-owned enterprise
SMO	Statements of Membership Obligations
UNCTAD	United Nations Conference on Trade and Development
US GAAS	United States Generally Accepted Auditing Standards

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Overview

This Country Strategy and Action Plan (CSAP) sets out a comprehensive reform program for corporate financial reporting in the Republic of Armenia for the short to medium term; the CSAP envisages two consecutive four-year periods through to 2022.

The CSAP was prepared under the FIRST after a series of discussions and working sessions with key stakeholders of corporate reporting and auditing in Armenia and builds on the recommendations of the World Bank Report on the Observance of Standards and Codes on Accounting and Auditing (A&A ROSC) for the Republic of Armenia which was published in June 2008.¹ A number of the recommendations of the A&A ROSC relating to the statutory framework and institutional strengthening have been implemented since then. However, most of the recommendations in the area of accounting education remain to be implemented. As a result, the primary focus of this CSAP is on education, while not ignoring further needs for developing the statutory framework and institutional capacity development.

The CSAP's objective is to provide a tool to the Armenian authorities for conducting further reform and mobilizing the donor community's and in-country stakeholders' support to implement the reform. The table below summarizes the main activities proposed under the CSAP, along with an indicative budget covering two consecutive, four-year implementation phases.

The primary responsibility for the implementation of the CSAP will rest with the Ministry of Finance of the Republic of Armenia, who will need to obtain regular stakeholder input feedback to facilitate the implementation of the CSAP and the detailed technical design of specific activities under it.

The actions contemplated under the CSAP complement regional activities carried under the STAREP program (see www.worldbank.org/cfrr). The CSAP will be the primary vehicle for implementing in Armenia concepts acquired or developed under STAREP.

¹ http://www.worldbank.org/ifa/rosc_aa_arm.pdf

Reform areas and main activities	US\$'000		
	Phase 1, 2015-18	Phase 2, 2019-22	Total
1. Strengthening accountancy and audit education Main activities: educating preparers of general purpose financial statements; realigning university education; and realigning professional education of accountants and auditors, including addressing qualification requirements and the accreditation of education (exemptions). Education support for preparers and auditors of financial statements to implement improved financial reporting and auditing practices and standards.	707.5	887.5	1,595
2. Raising public awareness of the benefits of corporate financial reporting and audit Main activities: providing training and peer learning experience to finance and business journalists; promoting good financial reporting to trade bodies and chambers of commerce; and delivering workshops and seminars to opinion formers as well as business directors and managers.	145.0	145.0	290.0
3. Further improvements to the statutory framework and necessary implementation measures Main activities: Establishing and implementing the appropriate legislative framework for the regulation and oversight of financial reporting and auditing; obtaining broad based stakeholder support for proposed legislative amendments; clarifying institutional and regulatory responsibilities; and strengthening the registry for financial statements.	257.5	84.0	341.5
4. Strengthening institutional capacity Main activities: Measures to support implementation of the revised and/or existing legislative framework to establish the appropriate regulatory framework and strengthen the capacity of regulating bodies of financial reporting and auditing.	502.6	443.9	946.5
Reform implementation support	225.0	225.0	450.0
Total estimated costs	<u>1,837.6</u>	<u>1,785.4</u>	<u>3,623.0</u>

1. Introduction

1.1 Purpose of the CSAP

This Country Strategy and Action Plan (CSAP) for enhancing corporate financial reporting sets out a comprehensive reform program for corporate financial reporting in Armenia for the short to medium term future; the plan assumes two four-year periods through to 2022. These periods are based on recent experience of similar projects in peer countries. The CSAP has been adopted by the Ministry of Finance and was prepared in consultation with the key stakeholders of corporate financial reporting. This CSAP is ready for adoption by the wider Government of Armenia and contains details on reform activities, milestones, implementation arrangements for reform implementation, and prioritization of activities. The CSAP may be used to mobilize the donor community to support reform activities.

The actions included in the CSAP complement the activities which Armenia will participate in or carry out under STAREP, regional program focusing on knowledge sharing and peer exchange implemented by the World Bank Centre for Financial Reporting Reforms for six countries including Armenia (see description in Annex 2). Actions under the CSAP will integrate fully with, and not duplicate, the STAREP program which will benchmark international and regional developments and good practice at a regional level, covering legislative reform, institutional capacity and education. The CSAP will be the primary vehicle for implementing in Armenia concepts acquired or developed under STAREP.

1.2 Rationale for a CSAP to enhance corporate financial reporting

This Country Strategy and Action Plan is a direct follow up to the World Bank's Accounting and Auditing Report on the Observance of Standards and Codes (A&A ROSC) for the Republic of Armenia dated June 2008. It supports the policy recommendations outlined in the A&A ROSC that remain to be implemented by further developing, prioritizing and sequencing recommendations into a time-bound action plan agreed to by relevant stakeholders. The A&A ROSC recommended that the Ministry of Finance (MoF) intensify its work with relevant education providers, regulatory institutions and other stakeholders. In the field of education this would include higher and professional education institutions such as leading universities and the Armenian Association of Accountants and Auditors (AAAA). In regulation this would include the Public Oversight Board (POB), if and when established, and the AAAA again, which is recommended in the A&A ROSC to be transformed into the Chamber of Accountants and Auditors of Armenia (CAAA). The World Bank A&A ROSC program is supported by the international development community and by senior management of the International Federation of Accountants (IFAC).

The availability of high quality corporate financial information underpins growth and the development of the corporate sector and contributes to the mitigation of risks of financial crisis, as well as being a necessary condition of external and internal investment in the private sector and driving economic development. At the same time, appropriate reduced financial reporting requirements for Small and Medium Enterprises (SMEs) that are able to satisfy the needs of enterprise owners, government taxation authorities and market needs are an important element in the development and growth of the SME segment of enterprises in the Republic of Armenia.

1.3 Process of preparing the CSAP

This Country Strategy and Action Plan (CSAP) was prepared after a series of discussions and detailed working sessions with the Ministry of Finance of the Republic of Armenia and other key stakeholders, including key academic and education providers, AAAA, leading audit firms, Central Bank of Armenia, and others. The CSAP recommends the establishment of a National Coordination Group (NCG) comprising the various stakeholders involved in corporate financial reporting.

The development of this CSAP was financed by a FIRST-funded project managed by the World Bank's Centre for Financial Reporting Reform (CFRR), the recipient of which was the MoF. Activities financed by the FIRST project included the above-mentioned consultations with key stakeholders, including stakeholders in education, international

consultants, local CFR consultants and a local legislation consultant. The Financial Sector Reform and Strengthening Initiative (FIRST) is a collaborative arrangement among development agencies providing for a technical assistance facility designed to support growth and poverty reduction in low- and middle-income countries by promoting stable, deep and diverse financial sectors. The CFRR is located in Vienna, Austria, and is responsible for the World Bank's corporate financial reporting knowledge services and capacity development assistance across the Europe and Central Asia region.

1.4 Document structure

The report includes the following sections:

Section:

2. Gap analysis — this section identifies the significant remaining gaps between the Republic of Armenia laws, regulations and current practice, and good international benchmarks.
3. Strategy — this section describes the overarching strategy for the reform in each area of focus, with key strategic goals and realistic sub-stages to be achieved in reaching the overall objective.
4. Action Plan — this section is organized in subsections with a clear reference to the key pillars of the Strategy. Proposed reform and capacity development measures are consistent with, and supportive of, the targeted improvements of the educational, regulatory and institutional framework and capacity. The reforms draw upon international standards and good practices. These include International Financial Reporting Standards; International Accounting Education Standards; the Statements of Membership Obligations of the International Federation of Accountants; International Standards on Auditing; the IFAC Code of Ethics; and the Core Principles of the International Forum of Independent Audit Regulators.
5. Implementation timetable and budget — under each pillar of the CSAP, all activities are defined by categories of expenditure and valued based on their respective unit costs and number of units identified.
6. Implementation arrangements and responsibilities — this section describes the necessary governance structure and responsibilities for oversight, coordination, and implementation of the CSAP. Proposed implementation arrangements and associated costs are part of the estimated costs of the CSAP.
7. Results matrix (log frame) — this section contains a results matrix for monitoring progress in implementation of the CSAP, with a focus on relevant and measurable output and outcome indicators for each phase of the CSAP.
8. Risk assessment — this section identifies the risks related to the implementation of the CSAP and proposes mitigating measures and their estimated costs.

2. Gap analysis

2.1 Overview

The A&A ROSC made policy recommendations in three main areas – A) Statutory and legal framework; B) Institutional and capacity building measures; and C) Professional education and training. Five of the six recommendations under A) and three of the five recommendations under B) have since been implemented or partially implemented. However, none of the four recommendations under C) have been substantially been addressed. Of the three areas, the gap to international standards and best practice remains largest in the education of professional accountants and auditors, especially in relation to general capacity and higher education e.g. universities. This should be the primary focus of this Action Plan.

2.2 Statutory framework

The position with regards to the Armenian legal framework has improved significantly since the publication of the A&A ROSC in 2008, when compared to international standards and norms. Substantially all of the recommendations relating to the Institutional Framework have been implemented, with the exception of the final recommendation that responsibilities for the regulation of audit be efficiently allocated between the MoF, the proposed 'Chamber of Auditors and Accountants' and the proposed 'Public Oversight Board'. Proposed amendments to the Laws on Accounting and Audit and a new proposed Law on Regulation and Oversight of Audit have been drafted as part of this FIRST Initiative project to address this recommendation and are under discussion by the MoF. Actions to further address this are included in Section 4 of the Action Plan.

One further recommendation of the A&A ROSC report relating to the company registry, which has been established since the ROSC report was published, has only been partly addressed. The functioning company registry website is in need of substantial improvement to meet international standards; this is addressed in the Action Plan in Section 5 of the Action Plan below.

2.3 Institutional and capacity building measures

The first ROSC recommendation in this area related to the delegation by the Ministry of Finance of the performance of some of its regulatory functions relating to the accounting and auditing profession to one or more professional organizations. The regulation of qualifications for auditors was delegated to the AAAA in 2013, but the rest of the MoF's regulatory functions have not been delegated. Proposals for such delegation in line with international best practice have been made in proposed amendments to the Laws on Accounting and Audit and a new proposed Law on the Regulation and Oversight of Audit, which have been developed under this FIRST initiative project and are under discussion with the Ministry of Finance. Measures to assist implementation of the proposed amendments, if and when agreed, will be addressed in this Action Plan.

Two further recommendations in the ROSC, relating to the MoF setting criteria and objectives for professional bodies, and the delegation of qualifications, have been achieved, or are included in the above-mentioned legislative proposals.

A further recommendation was for the MoF to enhance its recruitment and training of staff to ensure that they have the skills necessary to carry out the responsibilities of their positions. This has been addressed and some staff members from the MoF have commenced study towards the AAAA qualification. In addition, a training center for public sector financial management staff has been established.

The final recommendation in this section of the ROSC related to the AAAA reaching out to universities to encourage students to study accounting and auditing and to educate them about the professions and the AAAA itself. This remains largely unaddressed and will be included in the Action Plan below.

2.4 Professional education and training

The four recommendations in the ROSC report on 'Professional Education and Training' have generally not been addressed since the publication of the ROSC and the gaps identified in the ROSC remain in large. The recommendations, all of which relate to some degree of aspects of university teaching of accounting and auditing, are addressed in the Action Plan below.

3. Strategy

Strategic objective

The strategy for enhancing corporate financial reporting in Armenia aims to achieve the objective of delivering accounting and auditing education and training which, together with the right statutory framework and capable institutions, gives Armenia corporate reporting capability that is among the best in the region and meets international expectations and standards. If Armenia is a regional leader in global-standard accounting and auditing practice it will attract investment and financing, driving economic growth. Having a high capacity to produce and make available high quality corporate information as appropriate across all sectors of the economy will make Armenia one of the best places, if not the best place, to do business in the region.

The strategy

Armenia will achieve this objective by:

- 1) Transforming its academic and professional education in financial reporting, accounting and auditing to meet the highest international standards, equipping the next generation of accountants, auditors and business professionals with cutting edge modern skills and knowledge in this key area for business management; such capacity will also be available to benefit and support the public sector.
- 2) Designing and implementing the legislative framework that is most appropriate to Armenia's specific circumstances at each stage of economic development, including allocating regulatory responsibilities to best reflect the capabilities and capacity of regulatory bodies
- 3) Building the necessary knowledge, capacity and competencies in all bodies which play a part in the system for corporate financial reporting, including preparers (businesses), users, educators, government and regulators.

The strategy will complement and coordinate with relevant regional initiatives, such as the World Bank's STAREP program which is described in Annex 2. Actions under this Plan will integrate fully with the STAREP program, which will benchmark international and regional developments and best practice at a regional level; this Plan will be the primary tool for implementation of the regional findings at the Armenian country level.

The timeframe

This strategy does not envisage achieving this objective in the immediate or short-term future; rather the strategy is long-term. The necessary improvements and infrastructure must be identified, agreed and put in place to make inevitable the delivery of the objective; in particular the transformation of education will be challenging and involve many different stakeholders. However, the long-term benefits of improvement and modernization of education relating to corporate financial reporting will continue to be realized long after the period of this strategy and action plan and will underpin economic activity and growth in the future.

The reasons for reform

As noted in the June 2008 ROSC report, the strategy supports the overall objective of corporate reporting reform, which is to assist the authorities and other stakeholders in strengthening the financial and non-financial sectors' accounting, financial reporting and auditing practices, as a means to support certain relevant strategic objectives for Armenia, including:

- Enhancing transparency and the business climate, and bolstering domestic and foreign direct and portfolio investment in the private sector;
- Assisting the integration of Armenia into the European and global economies;
- Strengthening the stability and competitiveness of the banking and non-banking financial sectors; and mitigating the risk of crises due to loan collection problems and weak capital base;

- Encouraging greater transparency in both State and privately-owned enterprises, thus allowing shareholders and the public at large to assess management performance and influence its behavior;
- Aligning the normative and legal framework in the area of financial reporting, accounting and auditing with the best international practices;
- Facilitating SME access to credit by encouraging a shift from collateral-based lending decisions to lending decisions based on the financial performance of the prospective borrower, thereby supporting growth in the SME sector; and
- Helping to ensure that the financial reporting and auditing rules applicable to different types and sizes of entity are appropriate to the needs of those entities and the users of their financial statements.

4. Action Plan

The Action Plan comprises four main areas:

1. Strengthening accountancy and audit education
2. Raising public awareness of the benefits of corporate financial reporting and audit
3. Further improving the statutory framework
4. Strengthening institutional capacity

4.1 Strengthening accountancy and audit education

Education may be divided into three areas:

- University education
- Professional education of accountants and auditors
- Education of preparers of general purpose financial statements

Background to the situation in Armenia

The characteristics for education and training in accounting and auditing in Armenia were analysed in Section IIC of the June 2008 A&A ROSC report, and remain substantially similar. The ROSC made the following recommendations relating to education and training:

- Actions be taken to reduce the quality gap between different university accounting and auditing education programs. Currently, the differences which exist in the background of lecturers, the number and type of accounting courses required and the differences in the market orientation of degree programs may leave some university students behind their counterparts from other universities, unable to meet the demands and needs of Armenia's developing economy and evolving accounting and auditing environment.
- Universities work to further develop their connections with the private sector, regulatory bodies and professional organizations. In order to further orient university education toward the needs of the Armenian market, universities should work to bring together lecturers and representatives from private sector groups (audit firms, companies, etc.), professional organizations such as the AAAA, and representatives from the Ministry of Finance and Central Bank and enhance the dialogue between these groups. This diverse group of advisors should assist universities in developing and further standardizing the topics and issues which university professors of accounting and auditing should cover during their courses. In addition, this group of advisors should assist the universities in determining the appropriate number and type of accounting and auditing courses students should be required to complete prior to receiving a degree.

- A sustainable program to ‘re-train the trainers’ be undertaken to help update educators’ skills and knowledge. The program should focus on updating the skills of professors for today’s accounting and auditing environment, and should also focus on creating lasting relationships with Western universities to ensure a sustainable system of updating the knowledge of Armenian professors (i.e. through conferences, international exchange programs, etc.). As this issue is faced by universities throughout the region, Armenia should consider working with universities in nearby countries to create a sustainable regional program to ‘re-train the trainers’.
- Armenian universities continue and increase their efforts to hire accounting faculty staff with relevant practical experience to teach courses in accounting and auditing. Professors with knowledge of the application of accounting and auditing in the workplace can better prepare students for their roles as professional accountants and/or auditors. Universities should also try to encourage their accounting and auditing professors to take sabbaticals with company accounting departments, audit firms, and government bodies to refresh and enhance their knowledge of the practice of accounting and auditing.

In Armenia there are private and state universities, plus universities established under inter-governmental agreements e.g. the American University of Armenia (AUA), the Russian University of Armenia (RAU). 8-10 universities have significant accounting and auditing programs that would be the focus of support under this plan, including the AUA, RAU, Armenian State University of Economics, Yerevan State University and the French University of Armenia. In addition, three further training providers – the Ministry of Finance Training Center (mostly to public A&A), the International Accounting and Training Center (to a Masters level) and the IAB Center may be considered to be included in any assistance programs as they teach relevant A&A courses.

Rationale for realigning university education

As discussed in the June 2008 A&A ROSC, there are significant challenges in aligning the education and teaching of accounting and auditing in the university sector with international best practice. Despite recent developments in the statutory framework for Armenia, which now requires the use of the framework of International Financial Reporting Standards for much corporate financial reporting and International Standards on Auditing (ISAs) for much auditing in Armenia, teaching in universities based on these international standards is limited and teaching capabilities and resources aligned with international standards are rarely available. Curricula teaching accounting and auditing in universities, colleges and business schools should draw on all international standards and best practices, including IFRS, IFRS for SMEs, ISAs, ISQC1, IESs, IESBA Code of Ethics, the IFIAR Core Principles and others. In addition to benefiting the private sector, increasing the capacity of graduates with well-trained up-to-date accounting and auditing skills can also benefit the public sector where such graduates are employed in the public sector.

An accreditation and quality assurance system has been established over the last few years in the Armenian Higher Educational System (HES). In line with the system, all higher educational institutions should pass mandatory institutional accreditation and voluntary programmatic accreditation awarded by the Armenian National Qualification Authority (ANQA - www.anqa.am). The HES new accreditation and quality assurance requirements and procedures in Armenia are the same for state and private universities

Taking into account the opportunity of these HES reforms in Armenia, as well as the adoption of the National Qualification Framework (NQF) by the Government of Armenia, it may now be possible to collaborate with the Ministry of Education and the ANQA and investigate making the programmatic accreditation of accounting and auditing educational programs mandatory. It would be possible to involve the MOF and A&A professional bodies in this process, particularly to set competency/learning outcomes (knowledge, skills, abilities, etc.), compulsory programmatic accreditation and quality assurance requirements and procedures for accounting and auditing educational programs and graduates (including the learning outcomes, entrance, content/ syllabus/curricula, textbooks, lecturers, learning, testing and evaluation processes, facilities, etc.).

The third recommendation suggests a program to ‘retrain the trainers’ and encourages regional and international cooperation. Finally, the last recommendation encourages input to university education from those with practical experience of accounting and audit; this already occurs in some limited cases in Armenian universities, especially in the private sector. However, much more of such engagement would be ideal. These recommendations are addressed in the below actions.

Proposed activities to make sustainable improvements in university education in accounting and auditing

These activities may include, but are not limited to:

- (i) A review of the quality and consistency of standards reached by students graduating in accounting and auditing courses, leading to proposals for how best to encourage and establish formal and informal quality control and feedback on the quality of university education. The review should work closely with the Ministry of Education, the ANQA and others to consider how the recently established accreditation process for universities may be relevant and best utilized and coordinated with. The review will also draw on and avoid duplicating the ongoing findings of the World Bank's regional STAREP initiative on education, including benchmarking of university education content. The review may focus on (i) reviewing the accountancy degree curricula (content) and delivery models (practical experience opportunities, number and quality of lecturers, training material, IT equipment, quality control, examination standards etc.) in reference to international best practices; and (ii) reviewing the employability of the qualified accountancy degree graduates e.g. by interviewing employers and graduates, reviewing employment statistics etc. The review should benchmark to international best practice in university education (identifying and encouraging twinning with leading Universities in A&A inside and outside of Armenia) and should also benchmark to the IFAC International Education Standards. The review will draw on views from all stakeholders, including feedback from the AAAA and from employers of accounting graduates. The results of the review would inform the key areas of technical assistance i.e. content and delivery models. The results of the review should also influence where support to universities is made available, to address inconsistencies and create a level-playing field.
- (ii) Broad-based dissemination of the results of the review among the various stakeholders (universities, Ministry of Education, professors and accounting and audit regulatory bodies) in order to build a consensus for action, such as curricula reform, accreditation and teaching reform.
- (iii) technical assistance or assistance to establish twinning arrangements with leading universities outside of Armenia to improve content i.e. the accounting and auditing university curricula, including related relevant subjects such as management accounting, financial analysis, relevant company law etc. in line with the recently updated statutory framework and international best practices and standards. This may also draw on the results of the World Bank's regional STAREP initiative on education, including university education content;
- (iv) technical assistance or assistance to establish twinning arrangements with leading universities outside of Armenia to improve delivery of content i.e. to develop and/or update textbooks, manuals and course materials in Armenian in line with the updated curricula;
- (v) technical assistance and sustainable programs to help universities to close the gap in knowledge and resources in the field of accounting and auditing education;
- (vi) skills-building seminars and workshops to 'retrain the trainers' for university lecturers, advising on using framework-based teaching methods, to enhance their ability to teach up-to-date best practices in accounting and auditing and related relevant subjects – for example teaching how to exercise judgments that are necessary to apply IFRSs;
- (vii) technical assistance and sustainable programs to encourage and support input to university education (such as guest lecturers) from those with practical experience of accounting and audit and related fields, including those with international and AAAA qualifications, those from international network audit firms and those from regulators, as appropriate.
- (viii) A review of the exemptions currently obtained by graduates and other degree holders (masters, doctorates) for both AAAA and international accountancy qualifications. Exemption policy could be linked to formal quality control and assessment of university course; exemptions should reward proven high quality standards in university course and should not be available to all without such control.
- (ix) Technical assistance to help universities to teach and highlight the challenges to successful implementation of globally accepted best practices in accounting and auditing in the specific Armenian context, including the relationship of financial reporting and reporting for taxation purposes, and the challenges in businesses seeing the benefits of high quality audited financial reporting in compliance with international standards.

Rationale for further developing professional education of accountants and auditors

Any recognized professional education program for accountants and auditors should be consistent with the International Education Standards (IESs) as issued by the International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC). All statutory auditors, including those already registered in Armenia, should be able to demonstrate that their education and their professional capabilities and competence meet these standards. The IES comprise eight standards as follows:

- IES1 Entry Requirements to a Program of Professional Accounting Education. IES2 Content of Professional Accounting Education Programs.
- IES3 Professional Skills and General Education
- IES4 Professional Values, Ethics and Attitudes
- IES5 Practical Experience Requirements
- IES6 Assessment of Professional Capabilities and Competence
- IES7 Continuing Professional Development: a Program of Lifelong Learning and Continuing Development of Professional Competence
- IES8 Competence Requirements for Audit Professionals

In addition, AAAA, as an IFAC member, is required to take action to ensure that the IESs are adopted and implemented in Armenia. This includes basing their accounting qualification program on the IESs and supporting universities and other education providers in Armenia in understanding and following IESs.

Following the delegation to the AAAA by the Ministry of Finance of Armenia of the administration of the audit qualification in 2013, it is essential that the professional audit qualification offered by the AAAA be aligned with international standards, including the IESs. Actions to review and ensure such alignment are included below.

The AAAA should aim to offer professional accountancy qualification that is of such high quality and demonstrable compliance with the IESs that it would be globally acceptable and competitive i.e. an AAAA qualified graduate could be accepted as a member of any Professional Accountancy Organization (PAO) globally. Such a qualification would enable AAAA to engage and enter into Mutual Recognition Arrangements with PAOs in other countries where qualified AAAA graduates would be accepted as members of such PAOs (e.g ACCA, AICPA, ICAEW, ICAS etc.) without being required to sit further exams except in local tax in law as indicated. Such progress has already been achieved as indicated by the exemptions from a high number of ACCA examination papers that are available to those who have obtained the AAAA qualification. The model should, where possible, be built upon with similar cooperation sought with other international qualification bodies, such as AICPA and ICAEW. Actions to address this are included below.

Proposed activities to further developing professional education of accountants and auditors

- i) Technical assistance or assistance to establish twinning arrangements with a leading PAO outside of Armenia to benchmark and align the AAAA qualification with the IFAC International Education Standards for Accounting (IESs).
- ii) a program to assist with the implementation of changes to the qualification resulting from alignment with the IESs, including development of CPD courses to assist those already qualified in updating their qualification and training, in particular with respect to audit.
- iii) a program to review, in close coordination and cooperation (or possibly twinning) with other leading international PAOs, the AAAA qualification and qualification system to improve the AAAA qualification to a standard that would enable international equivalence, evidenced by possible mutual recognition and to maximize the exemptions obtainable by achieving the AAAA qualification. This should be coordinated with the similar review of exemptions in the university sector.

Educating preparers of IFRS and IFRS for SME compliant financial statements

Context, including likely demand for education of preparers of IFRS and IFRS for SMEs financial statements

Following amendments to the Law on Accounting that have followed since the ROSC was published in 2008, major entities (as defined in the Law) must now apply full International Financial Reporting Standards (IFRS), small and medium-sized entities must apply IFRS for Small and Medium-sized Entities (IFRS for SMEs) and micro entities maintain only an illustrative Chart of Accounts. However, the capacity and knowledge base in IFRS and IFRS for SMEs of those who prepare financial statements in Armenia remains relatively low and, as a result, there remains a need among preparers of financial statements for education in the application of IFRS and IFRS for SMEs. Training in IFRS for SMEs is a primary step which is likely to be relevant to a wide range of preparers in Armenia. Training in full IFRS will be a secondary step relevant to a smaller group of preparers, educators and relevant regulators.

Training materials in IFRS and the IFRS for SMEs

The IFRS Foundation and other professional organizations worldwide have developed a body of training materials for both IFRS and IFRS for SMEs which can be used as the basis for delivery of training in the Republic of Armenia. These are described immediately below.

The IFRS for SMEs

Introduction to IFRS for SMEs

The IFRS Foundation has developed a three-day familiarization workshop in the IFRS for SMEs. The objective of the workshop is to introduce participants to the IFRS for SMEs. The material for this workshop is freely available from the IFRS Foundation; a training of trainers' workshop on delivering this material was held in June 2014 in Yerevan, funded under this FIRST Initiative project.

Detailed training in the IFRS for SMEs

The IFRS Foundation is developing 35 standalone training modules on IFRS for SMEs – one module for each section. These training modules have not yet been translated into Armenian. The material for this training is freely available from the IFRS Foundation; however, trainers would need to be trained to deliver this material.

Online training

Online training is available for a fee from various training providers. Generally, this training is available in English, French etc., although it might be possible to arrange for such training to be translated into Armenian. Alternatively, on-line training materials in Armenian could be developed for a cost from the detailed training materials.

Full IFRS

Introduction to IFRS

Introductory courses to IFRS have been developed by various training providers. The objective of such Certificate-level courses is to introduce participants to IFRSs. They are typically delivered online and are estimated to take each student in the order of 20-70 hours to complete. Generally, this training is available in English although it might be possible to arrange for such training to be translated into Armenian.

Detailed training in IFRS

Similarly, detailed courses in IFRS have been developed by various training providers. The objective of these Diploma-level courses is to give participants an enhanced understanding of IFRS. They may be delivered in a classroom environment or online and are estimated to take each student in the order of 16 days to complete. Generally, this training is available in English although it might be possible to arrange for such training to be translated into Armenian.

Additional education for preparers of financial statements in the Armenian context

The above-described training in IFRS and IFRS for SMEs could be used as the basis for the delivery of training in the Republic of Armenia. However, it is likely that the participants could benefit if such training is modified to:

- i. explain Armenian financial reporting and auditing obligations as required by the Law on Accounting and the Law on Auditing, including addressing the existing and potential benefits of high quality audited financial reporting to the company;
- ii. make very simple and clear step-by-step building blocks to assist preparers in making the transition to IFRS compliance from the way Armenian bookkeepers tend to organize their accounting books and records currently, including their chart of accounts and trial balance, general ledger and analytical sub-ledgers;
- iii. enable participants to reconcile net income under IFRS for SMEs and taxable income as reported to the Armenian tax authorities; again, this should start at a very basic level and build up to a clear and conscious understanding of the differences between the practical purposes and results of IFRS-framework compliant reporting and tax reporting. This is often referred to as a ‘tax-bridge’;
- iv. consider the availability and suitability of accounting and bookkeeping software in common usage in Armenia and adapt training to help preparers to understand how to use software to separately prepare both IFRS and taxation reporting;

Institutional arrangements for delivery of education to preparers of financial statements

The AAAA does not currently have the capacity to design and deliver the above education programs in the numbers required. Accordingly, while the AAAA is likely to play a significant role in delivering training, the AAAA and any other organizations with such capacity in the public or private sectors should be considered for the design and delivery of the above education courses for preparers of financial statements. This might include, to the extent possible, higher education institutions such as universities. It is likely that these courses will need initial funding and technical assistance in order to setup the education programs; however, the aim should be to create self-sustaining programs. By way of example, some professional audit and accounting organizations in other countries have entered into annual contracts with experienced training providers in-country for certification materials that are updated and delivered in-country every year. Such partnerships or twinning arrangements may be considered as part of this Plan.

As part of the design and delivery of training to preparers of financial statements, it could be considered whether there may be demand and utility for a mid-level accounting technician qualification. Such accounting technicians may benefit the Armenian environment through developing qualified accounting technicians that may serve in both the public and private sector.

Proposed activities for education of preparers of financial statements

- i) devising, organizing and delivering practical training courses to assist accountants working at entities that are be required to implement IFRS or IFRS for SMEs to learn how to transition to account in accordance with such financial reporting standards, making appropriate use of and adapting existing materials from the IFRS Foundation and other providers, as well as existing material from local providers, such as the AAAA;
- ii) establishing training providers, with initial technical assistance and possible assistance or twinning from overseas training providers, to deliver foundation level as well as detailed training in full IFRS and IFRS for SMEs to preparers at entities that are required to implement such financial reporting standards;
- iii) devising, organizing and delivering training courses on Armenian-specific aspects of implementing both IFRS for SMEs and full IFRS to preparers at entities that are required to implement such financial reporting standards. This may include developing an IT based program or software which would be compliant with the different applicable accounting frameworks and local laws and regulations, such as in relation to tax;
- iv) Consider whether there may be demand and utility for a mid-level accounting technician qualification to develop qualified accounting technicians that may serve in both the public and private sector;

- v) helping build sustainable capacity to maintain and deliver all such training going forwards; and consider whether it would be beneficial for the AAAA or MoF to introduce some requirement or enforcement of competence or continuous professional education for professional accountants involved in the preparation of financial statements.

Education of auditors

Education of auditors should be addressed at university level and professional level as described above. IFAC's IES 8 on Competence Requirements for Audit Professionals is particularly relevant; students undertaking the audit qualification administered by the AAAA should meet the requirements of this standard, and existing auditors should be offered and undertake appropriate and sufficient CPD so as to meet the standard. One outcome of audit quality control inspections could be to identify where auditors would benefit from updating their knowledge of the latest auditing standards and methodology. The CAAA has primary responsibility for all aspects of the professional education of auditors, subject to oversight by the POB and MoF.

4.2 Raising public awareness of the benefits of corporate financial reporting and audit

The benefits and public good of high quality corporate financial reporting, supported by high quality auditing and corporate governance, are not consistently understood or appreciated by all stakeholders to corporate reporting in Armenia. There are misconceptions in particular in relation to the respective roles of corporate reporting under IFRS and IFRS for SMEs and reporting for other purposes, such as for corporate taxation. There are also misconceptions about the role of audit, such as in respect of the auditor's role in relation to tax.

A well-designed and implemented public awareness program, undertaken in close consultation and cooperation with local World Bank communication resource, will increase the public awareness of the benefits of good corporate financial reporting and auditing, and will increase demand for high quality corporate reporting and auditing. Such a program could follow the initial activities under the CSAP to help promote the improvements achieved under the plan's activities. Various activities are foreseen under this pillar including:

- i) Providing training and peer learning experience to finance and business journalists to enable them to better understand and report on financial reporting issues, on audit and on the proper role of an audit
- ii) Promoting high quality financial reporting and auditing through and to the members of trade bodies and chambers of commerce
- iii) Delivering workshops and seminars to opinion formers as well as business directors and managers on the benefits of high quality corporate financial reporting and auditing in terms of lowering the cost of capital, increasing investment confidence and strengthening the Armenian economy.

4.3 Further improving the statutory framework

Background to the statutory framework – responsibilities for regulating corporate financial reporting

As noted in the gap analysis above, the Armenian legal framework for corporate financial reporting and auditing has improved significantly since the publication of the A&A ROSC in 2008, when compared to international standards and norms.

Only the final recommendation of the ROSC in this area remains: to address further how responsibilities for the regulation of audit be efficiently allocated. The ROSC suggests that this might be achieved by the MoF delegating some further functions to the proposed 'Chamber of Auditors and Accountants', subject to oversight by a proposed 'Public Oversight Board'. The Chamber itself would be the successor body to the AAAA and would be established in Law. To follow-up on this recommendation, proposed amendments to the Laws on Accounting and Audit and a new proposed

Law on Regulations and Oversight of Audit have been drafted as part of this FIRST Initiative project to address this recommendation and are under discussion by the MoF.

Included in the proposed draft Laws are amendments that would:

- establish the Public Oversight Body and the Chamber
- define the roles and responsibilities of the Public Oversight Body and the Chamber
- clarify the respective responsibilities and remits of the MoF, the POB and the Chamber

Actions in this plan address measures to assist in implementing these proposals, should they be agreed, in part or as a whole. A further initiative in the medium term under the Plan would be to further review aspects of the financial reporting framework against international best practices; two areas which should be addressed under such a subsequent review might include reducing the financial reporting burden on micro and small entities and reassessing the need to have reserved functions for accountants within businesses.

Company registry

Since the ROSC report was published in 2008, a form of company registry has been established in the form of a website where a range of public announcements are made available. However, the website can be difficult to use effectively and further development of the company registry function in line with best practice and international norms could help make the registry more accessible and efficient. This would help significantly in delivering the value and benefits of high quality corporate reporting as a public good. Actions in this plan address this improvement.

Proposed activities for further improving the statutory framework

Proposed activities for this will include:

- i) Progress the proposed amendments to the Laws and, if necessary, consult widely with stakeholders to establish the most appropriate division of responsibilities for Armenia for the regulation of financial reporting, accounting and auditing, drawing where appropriate on international and regional comparators and best practice;
- ii) Organize awareness activities with relevant stakeholders, including members of Parliament, to create favorable environment for the new legislation adoption;
- iii) Technical assistance and a program to further develop an effective and accessible company registry function, building on the public website already established and in line with best practice.

4.4 Strengthening institutional capacity

Strengthening the newly established Public Oversight Board (POB) and the AAAA/CAAA

Establishing public oversight will be a significant challenge in Armenia and a solution tailored to the specifics of the Armenian environment will be the most effective solution. The POB, when established, will need significant support and strengthening, including from the MoF. The 2008 ROSC report made a recommendation related to the delegation by the Ministry of Finance of the performance of some of its regulatory functions relating to the accounting and auditing profession to one or more professional organizations. As noted in the gap analysis above, the regulation of qualifications for auditors was delegated to the AAAA in 2013, but the rest of the MoF's regulatory functions has not been delegated. Further proposals to establish the POB and for further delegation in line with international best practice have been made in proposed amendments to the Laws on Accounting and Audit and a new proposed Law on the Regulation and Oversight of Audit, which have been developed under this FIRST initiative project and are under discussion with the Ministry of Finance. Measures to assist implementation of the proposed amendments, if and when agreed, would include capacity building and institutional transformation and strengthening at both the AAAA, which would be transformed into the Chamber of Accountants and Auditors of Armenia (CAAA), and in the newly established Public Oversight Board.

A further development need is for the AAAA/CAAA to continue to develop to meet the standards and membership obligations of IFAC, so as to continue to achieve compliance with the various and details IFAC Statements of Membership Obligations (SMOs), one of which is mentioned in the section above on education i.e. compliance with the IFAC International Education Standards (IESs). Such development should build on and implement the AAAA's SMO Action Plan, produced by the AAAA based on the organization's own benchmarking against the requirements of the SMOs.

Proposed activities will include:

- i) Technical assistance and a program of direct capacity building, drawing on the relevant experience of international peers, including those within the World Bank's STAREP grouping, to assist with the establishment of the Public Oversight Board
- ii) Technical assistance and a program of direct capacity building, drawing on international peers to assist with the transformation of the AAAA to become the CAAA.
- iii) Providing constructive assistance to the AAAA to assist them to meet international best practice, particularly as established by IFAC in their SMOs.
- iv) Providing training, QAS methodologies, IT capacity and mentoring to the POB (when established) and to the AAAA/CAAA to enable them to discharge their roles and responsibilities as envisaged in the revised legislation.

Strengthening the capacity of the Ministry of Finance in relation to financial reporting and auditing

Even following further delegation as envisaged in the proposed amendments to legislation discussed above, the Ministry of Finance will still play a significant role in the regulation of accounting and auditing. It will need sufficient and appropriate skills, training, resources and infrastructure to enable it to fulfil its obligations.

As a result, further capacity building will also be needed at the Ministry of Finance, in accordance with the related recommendation of the ROSC in 2008.

Proposed activities will include:

- i) Long-term strategic advice (possibly from an international peer regulator) for the duration of the implementation of the country strategy and action plan;
- ii) Technical assistance to devise methodologies, tools and IT capacity to enable the MoF to properly perform its functions;
- iii) Skills building workshops/activities for MoF staff on improved methodologies and tools.

Strengthening other regulators and supervisory bodies

Other regulators and supervisory bodies including the central bank, the tax authorities, the Ministry of Education and other supervisory bodies, including other departments within the MoF responsible for oversight in insurance and securities sectors, will need support to enable them better enforce compliance with: relevant financial reporting standards; audited financial statements submitted by their regulated entities; and the relationship between regulated entities' financial statements and regulatory or other statutory reports.

Proposed activities will include:

1. Devising and rolling-out a program of support, training and education on the implementation and enforcement of financial reporting and auditing standards to relevant regulators and supervisory bodies;
2. Providing technical assistance to enable the other regulators and supervisors to enforce compliance with financial reporting standards, ensure appropriate and high quality audit, and enable regulators to reconcile statutory financial statements with other regulatory statements including capital adequacy and tax computations; and
3. Fostering working relationships between the other regulators and supervisors, statutory auditors and regulated entities.

5. Implementation timetable and budget

The implementation timetable and budget is tentative based on the available information and expert opinions, as well as reform experience from other countries. A summary version of the budget is presented below. Refer to Annex 1 for the detailed version.

Reform activities

<i>Reform activities</i>	Total Cost,\$	2015-18 Cost,\$	2019-2022 Cost,\$
1. Strengthening accountancy education	1,595,000	707,500	887,500
2. Raising public awareness of the benefits of corporate reporting	290,000	145,000	145,000
3. Improving the statutory framework			
3.1 Implementing the revised statutory framework	86,000	62,500	23,500
3.2 Strengthening the public registry of financial statements	255,500	195,000	50,500
	341,500	257,500	84,000
4. Strengthening institutional capacity			
4.1 Strengthening the AAAA/CAAA and POB	410,000	232,600	177,400
4.2 Strengthening the capacity of the Ministry of Finance in reporting and auditing	302,000	152,500	149,500
4.3 Strengthening other regulators	234,500	117,500	117,000
	946,500	502,600	443,900
Implementation support for the Country Strategy and Action Plan	450,000	225,000	225,000
Total budget for Country Strategy and Action Plan	3,623,000	1,837,600	1,785,400

The above budget is tentative given the uncertainties on how the CSAP will be implemented.

6. Implementation arrangements and responsibilities

The overall responsibility for oversight, coordination, and implementation of the Country Strategy and Action Plan (CSAP) will be that of the Ministry of Finance of the Republic of Armenia. The MoF is the main state authority responsible for regulation of accounting, financial reporting and auditing. However, under the proposed Law on the Regulation and Oversight of Accounting and Auditing a number of regulatory functions would be delegated to the POB and the CAAA, including qualification, quality control of statutory auditors and the translation and issuing of corporate reporting, auditing and ethical standards in relation to corporate financial reporting. The main functions of the CAAA body in terms of financial reporting are to issue accounting and auditing standards and to ensure that IFRS and relevant guidelines are available in the Republic of Armenia. However, the CAAA is subject to oversight and supervision by the POB for all such activities delegated to it by the Laws and by the MoF. The POB should have ultimate responsibility for audit quality control.

The MoF may wish to convene a National Coordination Group (NCG) of key stakeholders to corporate financial reporting in Armenia. This group would act as an advisory body to the MoF during the implementation of the CSAP and would convene regularly under the Chairmanship of the MoF. Even beyond the CSAP's implementation period, the NSG may continue to provide the MoF with ongoing and immediate feedback on the regulation of the Armenian corporate financial reporting framework. This model has been successful in realizing the benefits of implementing similar Action Plans in peer countries.

The MoF, the POB and the CAAA will benefit from the support of a small team of international and local advisers during the Action Plan's duration.

7. Results matrix (log frame)

Change Process						
Strengthening Stakeholder Ownership	Strategic Indicators	Capacity Challenge	Change Agents	Intermediate Capacity Outcomes for the first phase 2015-2018	Capacity Development Activities	Intermediary Indicators
Accountancy education	<p>University education is aligned with international best practice and international education standards and obtains exemptions for professional qualifications</p> <p>Professional education, training and qualification of accountants and auditors is aligned with IFAC's International Education Standards</p> <p>Preparers of general purpose financial statements have received training in and feel able to produce required general purpose financial statements.</p>	<p>Difficult to find and maintain qualified trainers, teachers and lecturers conversant in modern corporate financial reporting and auditing</p> <p>Entities' accountants are unable to absent themselves for the required period of training.</p>	MoF, Ministry of Education, leading universities, AAAA	<p>Enhanced ability of trainers, teachers and lecturers to teach up-to-date best practices in accounting, auditing and related subjects</p> <p>Training and qualification of accountants in professional qualification with enhanced compliance with IFAC's IESs</p> <p>Enhanced ability of preparers of general purpose financial statements and university lecturers to exercise judgments that are necessary to apply principles based standards.</p> <p>Improved cooperation between the change agents.</p>	<p>TA for leading universities to improve the accounting and auditing university curricula in line with international best practices</p> <p>TA to develop and/or update manuals and course materials in line with the updated curricula</p> <p>Realign professional education of accountants and auditors</p> <p>Devising, organizing and delivering training courses in IFRS and IFRS for SMEs for preparers of general purpose financial statements.</p>	<p>New and improved curricula are developed and implemented</p> <p>Manuals and training materials are updated in line with new curricula</p> <p>Preparers of general purpose financial statements upgraded their knowledge in modern financial reporting standards</p>

Change Process						
Strengthening Stakeholder Ownership	Strategic Indicators	Capacity Challenge	Change Agents	Intermediate Capacity Outcomes for the first phase 2015-2018	Capacity Development Activities	Intermediary Indicators
Public awareness of the benefits of corporate financial reporting	Business leaders, government and other relevant key stakeholders, including members of Parliament and the public, more readily acknowledge the value of good corporate financial reporting and auditing.	Poor history of independent, Experienced and robust reporting of financial news. Limited understanding of the value of high quality corporate reporting and audit.	MoF, AAAA, relevant Parliamentary Committee	Increased awareness in both the public and private sectors of the importance of accurate and transparent disclosure of financial information. Increased awareness by the key policymakers and other stakeholders on good practices related to corporate financial reporting and the implications of modernization changes.	TA and skills building activities for creating sustainable capacity to maintain and deliver similar training going forwards. Public awareness activities and workshops	Policy makers, key stakeholders and other relevant change agents express a better understanding of the value of corporate reporting.

Efficiency of Policy Instruments	Strategy Indicators	Capacity Challenge	Change Agents	Intermediate Capacity Outcomes for the first phase 2015–2018	Capacity Development Activities	Intermediary Indicators
Implement the revised statutory framework	Implementation of the revised framework. Establishment of the Public Oversight Body and the Chamber of Accountants and Auditors	Insufficient capacity at MoF, POB and CAAA to implement and effect transformations and change envisaged in the revised framework.	MoF, POB, CAAA	Established and effectively functioning POB and CAAA. MoF with appropriate capacity to regulate the bodies effectively.	Technical assistance to MoF to assist in enacting and implementing the revised Statutory Framework. Technical assistance to POB and CAAA in their establishment.	Revised Framework is enacted by Parliament and POC & CAAA are established.
Public registry of financial statements	MoF, POB and CAAA cooperate and function effectively in their respective roles. A public registry of financial statements is in place and functions effectively.	The existing website has significant capacity and ease of access challenges.	MoF	The current system is amended to be an effective system for public availability and access to company financial statements.	Implement an effective public registry of company financial statements. Study tours abroad to established and well-functioning public registries of financial statements.	Financial statements of limited liability entities are publicly available according to the requirements in law.

Effective Organizational Arrangements	Strategy Indicators	Capacity Challenge	Change Agents	Intermediate Capacity Outcomes for the first phase 2015-2018	Capacity Development Activities	Intermediary Indicators
Strengthen institutional capacity	Professional body is transformed to become the Chamber of Armenian Accountants and Auditors (CAAA).	Poor understanding of roles and responsibilities of MoF, POB, CAAA and other relevant regulators.	MoF, POB, CAAA, other regulators.	Increased understanding and improved skills needed to develop practices and/or functions for an auditing oversight System (MoF & POB).	TA for strengthening the MoF, the POB when established and the CAAA (CAAA when established).	POB is established and functioning effectively.
	POB is established and administers robust public oversight with stable support.	Regulatory institutions lack capacity in staff and other resources to fulfil their responsibilities.		Establishment of the Chamber.	Skills building workshops and activities on procedures, methodologies, tools, templates for overseeing (POB) and implementing (CAAA) a quality assurance system for audit.	The CAAA is established and functioning effectively.
	The MoF and other regulators have adequate staff familiar with corporate financial reporting requirements to fulfil their regulatory responsibilities.	Institutions lack adequate stable financing for ongoing and future activities.		Awareness rose among auditors of the new oversight system and new procedures, standards and systems.	Study tours to and from relevant peer regulators and supervisory bodies.	MoF is able to fulfil its responsibilities relating to POB and CAAA effectively.

8. Preliminary Risk Assessment

Potential risks for the implementation of the country strategy and action plan are presented in the table below.

Risk	Risk rating	Mitigating Measures
<i>Government and political leader commitment risk.</i> There is a risk of political instability leading to unstable commitment to the reforms in CFR by the Government.	Moderate	The risk will be mitigated through (i) explicit government adoption of the country strategy and action plan; (ii) continued dialog with high policy officials and Ministers particularly in the context of the private sector reform and reforms associated with lowering the costs of doing business; and (iii) continuous involvement of key stakeholders with links to key government institutions and policy-makers.
<i>Project financing.</i> There is a risk that financing for the implementation of the country strategy and action plan will not be available.	Substantial	This risk will be addressed by convening a roundtable or similar forum for potential development partners to explain the strategy prior to its finalization and obtain their buy-in of and financing for it.
<i>Institutional capacity risk.</i> There is a risk that not all key stakeholders fully understand the reforms and its sequencing. Further risk relates to possible conflicts of interest and motivational risks of institutions.	Substantial	This risk can be mitigated through regular meetings with key stakeholders to provide them with updates on the implementation of the country strategy and action plan, obtain their inputs and answer their questions. All key stakeholders will directly benefit from the implementation of the CSAP and thus have a clear interest in its implementation. This risk can be mitigated by careful consideration of the motivations, checks and balances in the responsibilities in the statutory framework and activities in the plan which will work to support effective oversight and coordination between the regulatory institutions involved in accounting and audit.
<i>Implementation capacity.</i> Implementation capacity of key stakeholders is limited in planning activities and managing project resources.	Moderate	This risk will be mitigated through: (i) engaging appropriate international peers, long-term advisers and consultants to support key institutions particularly at the MoF, POB and at the AAAA; and (ii) technical day-to-day project implementation assistance.
<i>Consultants.</i> It is difficult to identify consultants with appropriate competence and ability to operate in the Armenian environment.	Moderate	The risk will be mitigated through appropriate procurement planning enabling wider competition and identification of consultants familiar with the region, and by calling upon the World Bank's Vienna Centre for Financial Reporting Reform (CFRR) for contacts with international experts, regulatory bodies and consulting firms.

Annex 1: Detailed implementation timetable and budget

Reform activities

	Total Days/%\$	Total Rate, \$	Total Cost, \$	2015-18 Cost, \$	2019-2022 Cost, \$
1. Strengthening accountancy education					
- International consultant	175	1,100	192,500	82,500	110,000
- Local consultant	350	150	52,500	22,500	30,000
- Training: IFRS for SMEs	1	125,000	125,000	50,000	75,000
- Training: Full IFRS	1	300,000	300,000	120,000	180,000
- Training: Build local training capacity	1	200,000	200,000	80,000	120,000
- University education	1	300,000	300,000	120,000	180,000
- Education of professional accountants	1	200,000	200,000	120,000	80,000
- Study tours to other universities	2	100,000	50,000	50,000	50,000
- Publication of manuals and training courses	1	100,000	100,000	50,000	50,000
- Other	1	25,000	25,000	12,500	12,500
Total for Part 1, Education			1,595,000	707,500	887,500
2. Raising public awareness					
- Training and peer learning of business and finance journalists	1	100,000	100,000	50,000	50,000
- Promoting through trade bodies and chambers of commerce	1	50,000	50,000	25,000	25,000
- Workshops and seminars to inform opinion formers and business leaders	1	100,000	100,000	50,000	50,000
- Other	1	40,000	40,000	20,000	20,000
Total for Part 2, Public awareness			290,000	145,000	145,000

Reform activities

3. Improving the statutory framework

3.1 Enacting and implementing the revised legislative framework for the regulation and oversight of financial reporting and auditing and establishment of POB and CAAA

- International consultant	50	1,100	55,000	40,000	15,000
- Local legislation consultant	50	150	7,500	7,500	-
- Local consultant	150	150	22,500	15,000	7,500
- Other	1	1,000	1,000	-	-
			86,000	62,500	23,500-

	Total Days/%\$	Total Rate, \$	Total Cost, \$	2015-18 Cost, \$	2019-2022 Cost, \$
3.2 Strengthening the public registry of financial statements					
- International consultant	30	1,100	33,000	20,000	13,000
- Local consultant	50	150	7,500	5,000	2,500
- Study tours to other international public registries	1	30,000	30,000	30,000	-
- Enhanced Software and technical solution for public registry	1	125,000	125,000	100,000	25,000
- Training for staff	1	60,000	60,000	40,000	20,000
- Other	-	200	-	-	-
			255,500	195,000	50,500
Total for Part 3, Improving the statutory framework			341,500	257,500	84,000

4. Strengthening institutional capacity

4.1 Strengthening POB and AAAA/CAAA

- International consultant	100	1,100	110,000	72,600	37,400
- Local legal consultant	50	150	7,500	5,000	2,500
- Local consultant	350	150	52,500	35,000	17,500
- Study tours to and from other POBs and professional bodies	4	50,000	200,000	100,000	100,000
- Other	1	40,000	40,000	20,000	20,000
			410,000	232,600	177,400

Reform activities

4.2 Strengthening the capacity of the MoF

- International consultant	100	1,100	110,000	55,000	55,000
- Local legislation consultant	30	150	4,500	2,555	2,000
- Local consultant	250	150	37,500	20,000	17,500
- Study tours to and from other regulators	2	50,000	100,000	50,000	50,000
- Other (including logistics for workshops)	1	50,000	50,000	25,000	25,000
			302,000	152,500	149,500

	Total Days/%\$	Total Rate, \$	Total Cost, \$	2015-18 Cost, \$	2019-2022 Cost, \$
4.3 Strengthening other regulators					
- International consultant	100	1,100	110,000	55,000	55,000
- Local legislation consultant	30	150	4,500	2,500	2,000
- Local consultant	200	150	30,000	15,000	15,000
- Study tours to and from other regulators and supervisory bodies	2	30,000	60,000	30,000	30,000
- Other (including logistics for workshops)	1	30,000	30,000	15,000	15,000
			234,500	117,500	117,000
Total for Part 4, Strengthening institutional capacity			946,500	502,600	443,900

Reform activities

Implementation support for the Country Strategy and Action Plan

	Total Days/%\$	Total Rate, \$	Total Cost, \$	2015-18 Cost, \$	2019-2022 Cost, \$
- International consultant	200	1,100	220,000	110,000	110,000
- Local consultant	1,000	150	150,000	75,000	75,000
- Other	1	80,000	80,000	40,000	40,000
Total for implementation support			450,000	225,000	225,000
Total budget for Country Strategy and Action Plan			3,623,000	1,838,600	1,784,400

Annex 2: Strengthening Audit and Reporting in the Countries of the Eastern Partnership (STAREP): an Overview

Effective systems of corporate financial reporting play a key role in supporting economic growth. The recent financial crisis has demonstrated the close links between different economies, increasing the importance of common reporting frameworks such as that provided by International Financial Reporting Standards (IFRS).

The six countries of the EU's Eastern Partnership face common challenges. Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine have made significant progress in modernizing their systems of corporate financial reporting but face several outstanding common challenges, especially as regards institutional capacity.

The *STAREP* is designed to assist in adopting and implementing international standards and fostering alignment of financial reporting frameworks with international best practice s and EU standards for business reporting and auditing.

STAREP aims to help the participating countries both to improve their frameworks for corporate financial reporting and also to raise the capacity of local institutions to implement these frameworks effectively. In particular, the program has a strong focus on providing participants with the tools to improve the ability of already qualified accountants and auditors to implement international standards such as IFRS and International Standards on Auditing (ISA).

STAREP is addressed to all those with an interest in the process of corporate financial reporting reform, including compilers and users of financial statements as well those more directly involved in designing and implementing reforms. The program's activities are tailored to meet the varying needs of each of these groups in foster their engagement in the reform process.

STAREP emphasizes peer learning, through such tools as Communities of Practice, so helping participants to learn from the experiences of other countries and promoting the effective implementation of reforms. In-country engagement is also critical to ensure that changes are implemented on the ground.

STAREP builds on the CFRR's REPARIS program for the EU candidate countries of South-East Europe, which has already proved successful in promoting regional cooperation and bringing national laws and regulations nearer to EU standards.

STAREP is managed by the Centre for Financial Reporting Reform (CFRR), the World Bank's center for technical expertise in corporate financial reporting in the ECA region. Initial funding for the program has been provided by the Austrian Development Agency (ADA) and the Austrian Ministry of Finance. The project was launched in October 2013.

