



Centre for Financial
Reporting Reform



WORLD BANK GROUP
Governance



Road to Europe – Program of Accounting Reform and Institutional Strengthening

Annual Update

Progress Report 2016 and Program Plan 2017

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WORLD BANK GROUP
Governance

Centre for Financial Reporting Reform (CFRR)
Governance Global Practice, The World Bank
Praterstrasse 31
1020 Vienna, Austria

Web: www.worldbank.org/cfrr
Email: cfrr@worldbank.org
Phone: +43-1-217-0700

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LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants (UK)
ADA	Austrian Development Agency
A&A	Accounting and Auditing
A&ACoP	Accounting and Auditing Community of Practice
AO	Audit and Oversight
CFR	Corporate Financial Reporting
CFRR	Centre for Financial Reporting Reform
CoP	Community of Practice
CPD	Continuing Professional Development
DAC	Donor Advisory Council
EaP	EU Eastern Partnership
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
ECAFM	Financial Management Unit of the ECA
EduCoP	Accounting Education Community of Practice
EU	European Union
EPI	Economic Prosperity Initiative of USAID
FR	Financial Reporting
FSB	Financial Stability Board
GDLN	Global Development Learning Network
IASB	International Accounting Standards Board
IAESB	International Accounting Education Standards Board
ICE	In-Country Engagement
IDF	Institutional Development Fund (World Bank)
IES	International Education Standards (for Professional Accountants)
ESBA	International Ethics Standards Board for Accountancy (IFAC Board)
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
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium-sized Enterprises
PAO	Professional Accountancy Organization
PB	Professional Body
PIE	Public Interest Entity
POB	Public Oversight Board
POS	Public Oversight System
QAS	Quality Assurance System
REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
ROSC	Report on the Observance of Standards and Codes
SAD	Statutory Audit Directive
SOE	State-owned enterprise
SME	Small and Medium-sized Enterprise
SMP	Small or Medium-sized Practice
SOW	Senior Officials' Workshop
STAREP	Strengthening Auditing and Reporting in the Eastern Partnership
TA	Technical Assistance
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY

As candidates, or potential candidates, for European Union (EU) enlargement, the countries of Southeast Europe, including Albania, Bosnia and Herzegovina, Kosovo,¹ Former Yugoslav Republic of Macedonia, Montenegro and Serbia, are integrating more closely with the EU and the EU's market. As part of this process, countries aim to align their institutional frameworks with the EU *acquis communautaire*, adopt international good practices, and overall, seek to create conditions for companies, particularly small and medium sized enterprises (SMEs), that are conducive to promoting growth, attracting investors and improving access to finance.

The Road to Europe: Program of Accounting Reform and Institutional Strengthening (EU-REPARIS) was launched in May 2015 to provide support in the area of financial reporting, in particular to promote enhanced availability, transparency and reliability of financial information. Funded by the EU, and an integral part of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), the program specifically focuses on:

- Addressing the need for improved institutional capacity and better statutory frameworks, aligned with the *acquis* and harmonized regionally;
- Supporting the accounting profession to offer enterprises, especially SMEs, effective business support services, and advice on accessing finance and complying with regulatory requirements;
- Improve financial literacy, raise awareness and promote the role of sound financial reporting for business management, access to finance and to meet regulatory requirements;
- Improving accounting education systems at all levels; and
- Developing supportive networks of institutions among the countries of Southeast Europe, building sustainability and improving awareness of the benefits and successful approaches to corporate financial reporting reform.

Highlights of 2016 included:

- The Ministerial Conference and the associated Senior Officials' Workshop, which reviewed progress on financial reporting reforms, and discussed the next steps and areas of mutual interest in light of financial reporting being a catalyst for growth;
- Further increase in the capacity of senior decision makers and key stakeholders to determine and support the most effective ways of adopting good international practice and aligning national legislation with EU requirements;

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

- Changes and draft amendments to national legislation in several EU-REPARIS countries to ensure greater alignment with the *acquis*;
- The third regional Professional Accountancy Organization (PAO) Forum, which explored the contribution of PAOs from Central, Southeast and Eastern Europe to stimulating economic growth;
- Completion of the Accountancy Education Benchmarking Study, which provides a baseline assessment and gap analysis, the development of a profiling tool, and suggests good practices and materials to facilitate reform;
- Strengthened capacity of professional bodies, enabling them to better support their members in the area of audit training and IFRS for SMEs, to converge more closely with international best practices and International Education Standards (IES), and to deliver high quality and sustainable training for SMPs;
- The Supervisors Exchange Forum, which facilitated greater dialogue between key players in the banking sector and ensured that participants continued to be updated on International Financial Reporting Standards (IFRS).

Survey feedback from participants affirms the effectiveness of the Community of Practice approach in ensuring an interactive process and close collaboration between the CFRR and participants in developing the program and ensuring impact. The vast majority of participants rated the overall quality of the events, speakers and presentations as high, and confirmed that the knowledge acquired was useful. The feedback also provides valuable input for further improvements.

A range of activities are planned for 2017, including:

- A Senior Officials' Workshop in Brussels;
- Several in-country workshops and roundtable discussions on audit oversight, IFRS 9, as well as accounting education;
- An SMP Forum jointly organized with IFAC;
- Dissemination of the results of the Accountancy Education Benchmarking Study;
- Technical workshops to raise the capacity of small or medium-sized practices (SMPs) to provide quality services to SME clients;
- Publication of two studies relating to SME financial reporting and access to finance;
- An IFRS seminar for supervisors and auditors.

1. ACTIVITIES AND PROGRESS 2016

1.1. Overview

EU-REPARIS activities for 2016 commenced in February with a ‘Train the Trainer’ workshop in Vienna on International Financial Reporting Standards for small and medium-sized enterprises (IFRS for SMEs). This was the first of a ‘Train the Trainer’ workshop series focusing on in-person knowledge transfer and skills development.

The year’s flagship events were the Senior Officials’ Workshop on April 26 and the Ministerial Conference on April 27, which reviewed progress on financial reporting reforms, and discussed the next steps and areas of mutual interest in light of financial reporting being a catalyst for growth. To complement these special events, the third regional Professional Accountancy Organization (PAO) Forum was convened on April 28 to discuss the contribution of PAOs from Central, Southeast and Eastern Europe to stimulating economic growth. The Supervisors Exchange Forum was done in September and facilitated greater dialogue between key players in the banking sector and ensured that participants continued to be updated on International Financial Reporting Standards (IFRS). In addition, a number of regional and in-country activities including Community of Practice workshops, face-to-face and online seminars, as well as technical assistance interventions were carried out, and several publications were completed.

Selected highlights of program outcomes for 2016 across the different thematic areas include:

- Further increase in capacity of senior decision makers and key stakeholders to determine and support the most effective ways of adopting good international practice and aligning national legislation with EU requirements;
- Changes and draft amendments to national legislation in several EU-REPARIS countries to ensure greater alignment with the *acquis*;
- Strengthened capacity of professional bodies, enabling them to better support their members in the area of audit training and IFRS for SMEs, to converge more closely with international best practices and IES, and to deliver high quality and sustainable training for SMPs;
- Completion of the Accountancy Education Benchmarking Study, which provides a baseline assessment and gap analysis, the development of a profiling tool, and suggests good practices and materials to facilitate reform;
- Increased capacity of supervisors in IFRS 9;
- Completion of an empirical study, subject to further peer review, which may provide evidence regarding the relevance of financial information for lending practices in the case of Serbia.

Survey feedback from participants affirms the effectiveness of the Community of Practice approach in ensuring an interactive process and close collaboration between the CFRR and participants in developing workshop agendas. The vast majority of participants rated the overall quality of the events, speakers and presentations as high, and confirmed that the knowledge acquired was useful. The feedback also provides valuable input for further improvements.

Noteworthy developments outside of EU-REPARIS include:

- Country-level project launched in Serbia on ‘Serbia Technical Assistance for Reform of Corporate Financial Reporting (STAR-CFR);
- Preparation of a country-level project in Kosovo² to address some of the recommendations of the Accounting & Auditing Report on the Observance of Standards and Codes.

The following provides an overview of the activities and a summary of outcomes achieved in 2016. Detailed descriptions of the activities are available in Annex 3. Activities marked with * indicate joint activities with the [Strengthening Auditing and Reporting in Countries of the Eastern Partnership](#) (STAREP) program.

1.2. Details by Component

1.2.1. Component 1a – Financial Reporting Community of Practice

Activities

Activity	Topic	Date	Location
Workshop	SME Financial Information Catalyst for Lending	6-7 December	Vienna
Virtual seminar	IFRS for SMEs	April	N/A
	General Overview of EU Directives related to Corporate Financial Reporting Requirements	June	N/A
Research/ Publication	Standardizing formats for better comparability – research and drafts	December	N/A
	Report on Implementation of the <i>Acquis Communautaire</i> by Croatia	December	
	EU Audit Public Oversight Systems	Delivery moved to 2017	N/A

² This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

Progress towards Program Outcomes

The workshop on “SME Financial Information Catalyst for Lending” familiarized representatives from ministries of finance, ministries of economy, the accounting and auditing profession, and agencies involved in SME corporate financial reporting with SME finance and necessary policy measures;

In particular, participants learnt how better quality financial information can help SMEs to gain greater access to bank financing, thus enabling them to grow.

Unforeseen Challenges and Actions taken in Response

Since many stakeholders were invited to the Ministerial Conference and associated events in April, it was decided to organize just one Financial Reporting Community of Practice workshop in 2016. Publication on EU Audit Public Oversight Systems is nearing completion. It is currently undergoing a quality review, with relevant updates being added where necessary. The publication is expected to be available in mid-2017.

1.2.2. Component 1b – In-Country Implementation Support

Component 1b “In-Country and Implementation Support” is closely linked with the other components of this program. It aims to provide support to countries at the local level, including applying and implementing concepts presented as part of regional events and workshops. CFRR country relationship managers regularly visit the six EU-REPARIS countries to engage in direct dialogue with senior government representatives, working level counterparts as well as representatives from the profession, academia, the business community, and other stakeholder groups. Mission travels are co-funded by the trust fund, companion country-level projects, and the World Bank budget. A list of travels and meetings is available upon request.

Albania	
Activity/Topic	Support for activities through a companion country project “Enhancing the Quality of Financial Reporting”. The following example describes a publicized project activity: On 23 September 2016, the Faculty of Economy at the University of Tirana inaugurated a new computer laboratory for accounting students comprising 30 new computers with the latest accounting software and curriculum. It is designed to serve around 400 accounting students and strengthen teaching and practical training.
Progress towards Program Outcomes and Lessons Learned	See country-level project documentation

Bosnia and Herzegovina	
Activity/Topic	<ul style="list-style-type: none"> • Provision of technical support to the Federation on a new draft law on Accounting and Auditing; • Participation in roundtable discussions with stakeholders - led by the Ministry of Finance - on the new draft Accounting and Auditing (A&A) Law.
Progress towards Program Outcomes and Lessons Learned	Closer alignment between the new EU requirements (2015-2016) for accounting and auditing and the Federation's legislation.
Kosovo ³	
Activity/Topic	<ul style="list-style-type: none"> • Mobilization of resources for country-level project; • Provision of just-in-time technical support to the Ministry of Finance and Kosovo Financial Reporting Council (KFRC) regarding amendments to the Financial Reporting Law; • Completion of the PAO professional education benchmarking (baseline and gap analysis); • Support for the Society of Certified Accountants and Auditors of Kosovo in its efforts to attain membership with the European Federation of Accountants (FEE) by facilitating contacts and providing references; • Participation in a roundtable on "The Importance and Reliability of Financial Reporting" in March 2016 hosted by the Minister of Finance and KFRC Chairman. A large audience joined the discussions, including representatives from the business sector, tax administration, PAOs, practitioners, Central Bank, State Audit Office and other stakeholders; • Participation by the Minister of Finance in the Ministerial Conference and panel discussion demonstrated strong commitment to the EU-REPARIS program and the corporate financial reporting (CFR) reform agenda.
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> • A country-level project has been prepared which aims to address some of the recommendations of the A&A Report on the Observance of Standards and Codes (ROSC). Its main focus is on implementing effective oversight and quality assurance

³ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

	<p>in Kosovo. Donor funds have been identified (FIRST Initiative) and an application has been submitted for approval. A positive outcome is expected in mid-2017;</p> <ul style="list-style-type: none"> • Greater alignment of legislation with EU requirements through legislation amendments and improvements; <ul style="list-style-type: none"> ○ Alignment of professional accountancy education systems with International Education Standards (IES) and International Federation of Accountants (IFAC) Statements of Membership Obligations (SMOs); • PAOs gain membership and recognition from European professional bodies; • Awareness raised among a broad stakeholder group on importance of the CFR reform agenda in Kosovo. It also enabled discussions on key policy issues, especially those revolving around financial reporting and auditing obligations for SMEs and audit oversight/quality assurance; • Strong participation of Ministers and other senior officials in program events.
FYR Macedonia	
Activity/Topic	<ul style="list-style-type: none"> • Drafting of a knowledge paper on comparative experiences in adopting recommendations of the Report on the Observance of Standards and Codes (ROSC) on legal frameworks; • Facilitation of contacts and communication between the Public Oversight Board (PoB) and other regional bodies, a process that has contributed to a number of regional Memoranda of Understanding and bilateral visits (Bosnia, Croatia, Bulgaria, Romania, Slovenia, Estonia and others); • Completion of PAO professional education benchmarking (baseline and gap analysis).
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> • Strengthened capacity of PoB to establish effective oversight and quality assurance through discussions and knowledge paper; • Continued commitment to peer exchange and development of regional partnerships secured;

	<ul style="list-style-type: none"> Continued alignment of professional accountancy education systems with IES and IFAC SMOs.
Montenegro	
Activity/Topic	<ul style="list-style-type: none"> Development of new Accounting Law (passed) and new Auditing Law (undergoing parliamentary procedures), which are highly aligned with EU <i>acquis</i>; Continuing professional development (CPD) requirement now constitutes a legal requirement for statutory auditors Completion of PAO professional education benchmarking (baseline and gap analysis); Participation in the Regional Audit Conference organized by the Ministry of Finance of Montenegro on July 28 and 29 financed through an International Development Fund (IDF) grant.
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> Greater alignment of legislation with EU requirements through legislation amendments and improvements; Transposition tables prepared to map out the changes to the laws and regulations stemming from new Accounting and Auditing Directives and Regulations; Continued alignment of professional accountancy education systems with IES and IFAC SMOs; Awareness raised amongst national policy makers through regional exchanges of experiences; best international practice adopted in the area of public audit oversight.
Serbia	
Activity/Topic	<p>Launch of Project on Serbia Technical Assistance for Reform of Corporate Financial Reporting (STAR-CFR) in June 2016 as a companion project to EU-REPARIS. This four-year project covers technical assistance and capacity building for ministries and institutions involved in financial reporting. The project will be implemented by the Serbian Ministry of Finance and the CFRR.</p>
Progress towards Program Outcomes and Lessons Learned	<p>See country-level project documentation (can be made available upon request).</p>

1.2.3. Component 2a – Education Community of Practice

Activities

Activity	Topic	*	Date	Location
Workshop/ Event	Third regional Professional Accountancy Organization (PAO) Forum in cooperation with the International Federation of Accountants	Yes	28 April	Vienna
Research/ Publication	Accountancy Education Benchmarking Report - Final Results Published		December	N/A

Progress towards Program Outcomes

The PAO Forum strengthened the capacity of PAOs to better support their members and to converge with international best practices for PAOs. Key takeaways for participants included:

- Learning about IFAC's new compliance model, and benefiting from the experiences of PAOs that have successfully implemented a sustainable business model;
- Enhancing understanding of the expectations of the investment community, and how PAOs and their members can meet those expectations.

The Accountancy Education Benchmarking Study is complete for both universities (undergraduate and master's accountancy programs) and PAOs in all EU-REPARIS countries. Particular outcomes/results of the education benchmarking include the following:

- Development of a baseline showing the level of alignment of university education curricula with IES and professional benchmarks at the beginning of the EU-REPARIS program;
- Development of a profiling tool to further facilitate in-country curricula reform in order to modernize university and professional education and align it with IES (closing the gaps). The tool's main focus is to help academic and professional education programs implement a learning outcomes approach as required by the recently revised IES;
- A number of good practices were identified by participating universities and PAOs during the Accountancy Education Benchmarking Study. These included practical experience requirements, partnership opportunities, developing high quality professional qualifications, promoting life-long learning through CPD, as well as providing relevant, value-added services to members that are documented and cataloged with a view to their replication elsewhere in the region;
- Materials offer international comparability among programs in different countries and with several recognized education benchmarks, as well as offering verifiable

accreditation schedules that each participating university can use to seek recognition/accreditation with EU-based universities and professional bodies.

Unforeseen Challenges and Actions taken in Response

- N/A

1.2.4. Component 2b – Training of Trainers (ToT)

Activities

Activity	Topic	*	Date	Location
Workshops	IFRS for SMEs: Train the Trainers Workshop	*	February 22-24	Vienna
	Audit Training of Trainers: Developing the profession's capacity to deliver high quality International Standards on Auditing (ISA) training		February 25-26	Vienna
	Audit Training of Trainers: Risk Assessment and Audit Strategy		October 17-18	Vienna
Virtual seminar	IFRS for SMEs: Virtual workshop 1	*	21 March	N/A
	IFRS for SMEs: Virtual workshop 2	*	11 April	
	Audit Training of Trainers' Virtual Seminar: New and Revised Auditor Reporting Standards		September 13	
	Audit Training of Trainers' Virtual Seminar: Updates from the International Auditing and Assurance Standards Board (IAASB) and the IFAC SMP Committee		December 14	
Research/ Publication	Smaller Audits: Challenges and Insights		March	N/A
	Practical guide for PAOs on continuing professional development (CPD) for accountants		January	

Progress towards Program Outcomes

- Raised capacity of professional bodies to comply with IES and, in particular, with: IES2 – Initial Professional Development – technical competence; IES 3 – Initial Professional Development – Professional Skills, IES4 – Initial professional Development –

Professional Values, Ethics and Attitudes, IES 7 – continuing professional development; IES 8 – competence requirements for audit professionals and others;

- Increased capacity of professional bodies to deliver high quality and sustainable training for SMPs and to design CPD systems that comply with IFAC SMOs and IESs, including delivering training materials, practical teaching approaches and case studies for further local replication and use;
- Enhanced awareness among practitioners, SMPs and PAOs which support their members on a number of important issues, including CPD guidance and challenges faced when auditing smaller clients with related insights.

Unforeseen Challenges and Actions taken in Response

- N/A

1.2.5. Component 3a – Financial Reporting Exchange Forum

Activities

Activity	Topic	*	Date	Location
Workshop	Supervisors' Exchange Forum on "Contributing to financial stability: Encouraging greater dialogue between key players in the banking sector"	Yes	September 7-9	Vienna
Virtual seminar	IFRS Seminar (2 sessions)	Yes	Dropped	
Research/ Publication	World Bank Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship	Yes	September	N/A

Progress towards Program Outcomes

Participants who attended the 2016 Supervisors' Exchange Forum, delivered by the CFRR in cooperation with the International Accounting Standards Board (IASB), received further training on the IFRS which are of particular relevance to supervisors of financial institutions: these global accounting standards enable investors and other users of financial statements to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.

In addition, a guide which was launched during the Forum is helping to develop collaboration between banking supervisors and auditors. The guide, which represents a collaborative effort led by the CFRR of 35 European supervisors, aims at developing better practices.

Activity surveys, self-assessment, and observations by senior CFRR staff regarding participants' level of understanding and quality of discussion indicate the following:

- Increased capacity of supervisors in the area of A&A and IFRS including IFRS 9; IFRS 9 represents a very important change;
- Enhanced ability to apply a reconciliation approach between financial statements and prudential capital, and an increased understanding of the application of prudential filters;
- Greater awareness of the work performed by external auditors and the benefits of closer collaboration.

Unforeseen Challenges and Actions taken in Response

Two workshops were held on three consecutive days to save costs, and to allow closer collaboration with the Austrian Finance Ministry. The virtual seminars were dropped because the content was covered in the workshop.

1.2.6. Component 3b – Pilot Project on SME Reporting

Activity	Topic	*	Date	Location
Research/ Publication	Stocktaking, literature review, data collection		January - July	N/A
	Initial design/concept			
	Survey questionnaire and interviews		May - September	N/A
	Working group meetings			
	Presentation of initial results		December	N/A

Progress towards Program Outcomes

An empirical study and a bank survey both may provide evidence of the link between financial information and lending practices when it comes to loan decisions and loan pricing. The study used information from more than 2,000 SMEs with a loan, and compared the accrual quality as an indicator of the quality of financial statements and the cost of debt for the same enterprises. This study, which replicates earlier research conducted in the U.S. and Belgium, is the first to be carried out in an emerging economy (i.e. Serbia). Findings will be subject to peer review to confirm their corroboration with the results of the 2016 survey of key banks, which together represent more than 50 percent of the market.

Unforeseen Challenges and Actions taken in Response

A survey of owners of SMEs on the challenges of access to finance was postponed to take into account a study that is currently being performed by the European Investment Bank (EIB).

1.2.7. Component 4 – Regional Cooperation and Knowledge Sharing

Activities

Activity	Topic	*	Date	Location
Workshop/ Meeting	Senior Officials' Workshop "Financial Information: Catalyst for Growth"	Yes	April 26	Vienna
	2016 Ministerial Conference "Financial Information: Catalyst for Growth"	Yes	April 27	Vienna
Publication	Special edition of "Connecting Voices" <i>Financial Information: Catalyst for Growth</i>	Yes	New deliverable: April	N/A
Knowledge management	Newsletter covering EU-REPARIS activities	Yes	Quarterly	N/A
	Website pages: topics, events, country	Yes	Ongoing	
	Video: Benefits of Financial Reporting Reform	Yes	Dropped	

Progress towards Program Outcomes

- Senior policy makers continue to increase their understanding of the need for policy reform, EU alignment and international good practices, enabling them to initiate continued reform efforts in program beneficiary countries. For details, please see component 5;
- The Ministerial Conference and Senior Officials Workshop provided EU-REPARIS participants with a unique opportunity to interact with other policy makers from Western Balkans EU accession countries as well as technical experts to exchange views on success stories and lessons learned in financial reporting reform and the EU accession process. These events enabled participants to understand the connection between the required reforms and ways in which transparent and effective financial reporting systems can act as a catalyst for growth, helping to build trust in financial information, and improving access to credit and attracting investment.

Unforeseen Challenges and Actions taken in Response

- Since the cost of producing the planned video on "The Benefits of Financial Reporting Reform" was higher than anticipated, it was replaced with a publication entitled "Connecting Voices: Financial Information – Catalyst for Growth" which addresses the benefits of financial reporting reform. The publication is available [here](#).

2. PLANNED ACTIVITIES FOR 2017

2.1. Overview

The tables in this section describe the planned activities and expected outcomes for each component. Activities marked with * indicate joint activities with the STAREP program.

Key events planned for 2017 include:

- A Senior Officials' Workshop in Brussels;
- Several in-country workshops and roundtable discussions on audit oversight, IFRS 9 as well as accounting education;
- An SMP Forum jointly organized with IFAC;
- Dissemination of the results of the Accountancy Education Benchmarking Study;
- Technical workshops to raise the capacity of SMPs to provide quality services to SME clients;
- Publication of two studies relating to SME financial reporting and access to finance;
- An IFRS seminar for supervisors and auditors.

Expected progress toward intermediate outcomes

- Further Increase in the capacity of national policy makers to adhere to international good practice as well as to transpose EU legislation requirements;
- Clearer understanding among senior officials of ways to address challenges when aligning and implementing national legislation with the EU *acquis*;
- Progress in implementing standards compliant with the EU Accounting Directive, i.e. the International Standards on Auditing;
- Further increase in the capacity of professional bodies to comply with IES and IFAC membership obligations;
- Strengthened capacity of SMPs to offer a broader range of services;
- Increased skills in the use of advanced technologies such as data analytics, as well as in cataloging professional services and practice models for SMPs;
- Continued capacity development of banking and insurance regulators and supervisors on IFRS, as well as an enhanced ability to monitor the quality of financial statements;
- Closer cooperation between external auditors and banking supervisors, contributing to better auditing and supervisory practices;
- Increased understanding of the connection between SME financial reporting and lending and the development of tools to support loan application processes.

2.2. Details by Component

2.2.1. Component 1a – Corporate Financial Reporting Reform Community of Practice (FRCoP)

Activities Overview

Activity	Topic	*	Date	Location
Workshop	Critical path for the successful implementation of the acquis: The example of Croatia		March/April	Croatia
	Progress in the implementation of the new accounting and auditing directives		November	Vienna
Virtual meeting	Two virtual meetings to discuss the progress of implementation by country and to prepare the November workshop	Yes	2017	N/A
Research/ Publication	Publication on Public Oversight	Yes	June	N/A

Description of Activities

Two workshops will be delivered to:

- Showcase the experience of Croatia in transposing and implementing the EU *acquis communautaire* in both its legislation and practices; and
- Take stock of the implementation of advanced accounting and auditing practices in the Western Balkans that are in line with EU requirements.

This program year will thus be devoted to promoting, discussing and evaluating the status of alignment of legal frameworks and practices with the EU acquis. The workshops will build on research and studies published recently by the CFRR and financed under the program. Workshops and virtual seminars will be dedicated to evaluating the status of progress, discussing Croatia as a recent case study, and paying particular attention to the accounting and auditing directives.

Expected Outcomes

Further strengthening in the alignment process to ensure continued capacity building, knowledge transfer, clarification of questions, and learning from good practices.

2.2.2. Component 1b – In-Country Implementation Support

Albania	
Activity/Topic	No further activities due to companion country project
Progress towards Program Outcomes and Lessons Learned	Refer to documentation of companion country project (available upon request).
Bosnia and Herzegovina	
Activity/Topic	<ul style="list-style-type: none"> • Workshop to build capacity of institutions involved in quality assurance and audit oversight; • Workshop to identify and report on key priorities and challenges for convergence of the two main entities and national level law with the EU <i>acquis</i> in the areas of accounting and auditing; • Benchmark the education requirements for accountants entering the profession using the Accountancy Education Benchmark tool referred to above in order to complete gap assessment.
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> • Closer alignment of legal framework with EU requirements; • Greater coordination between the Federation of Bosnia and Herzegovina and Republika Srpska in building capacity to implement revised laws on accounting and auditing; • Better understanding of audit oversight among key stakeholders.
Kosovo	
Activity/Topic	<ul style="list-style-type: none"> • Set up of country-level project expected to be finalized by mid-2017; • Policy dialogue, mission travels and just-in-time technical assistance; • Accountancy education benchmarking in-country roundtable (with academia, the profession, policymakers and business support community), June 2017.

Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> Country project kicked off to implement ROSC findings in the area of Kosovo Financial Reporting Council capacity, public oversight and quality assurance; Greater alignment of legislation with EU requirements through legislation amendments and improvements; Increased compliance among professional bodies with IFAC statements of membership obligations, and compliance of accounting education systems with IES.
FYR Macedonia	
Activity/Topic	<ul style="list-style-type: none"> Policy dialogue, mission travels and just-in-time technical assistance; Targeted support to PoB efforts in achieving a twinning arrangement and establishing effective quality assurance (technical assistance and capacity building); Workshop on <i>IFRS 9 Training for Financial Supervisors of Central National Banks</i> shifted from 2016 at the request of the Central Bank; Accountancy education benchmarking in-country roundtable (with academia, profession, policymakers and business support community), June 2017.
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> Greater alignment of legislation with EU requirements through legislation amendments and improvements; Progress in implementing standards compliant with the EU Auditing Directive and readiness to implement the process for audit quality assurance; Increased compliance among professional bodies with IFAC SMOs and compliance of accounting education systems with IES; Raised capacity of financial regulators to monitor banks' compliance with IFRS 9.
Montenegro	
Activity/Topic	<ul style="list-style-type: none"> Policy dialogue, mission travels and just-in-time technical assistance;

	<ul style="list-style-type: none"> • In-country roundtable (with academia, the profession, policymakers and business support community), September 2017; • On the ground support to the MoF to build capacity for quality assurance; • Provide support for the Institute of Certified Accountants of Montenegro's (ICAM) application for full IFAC membership.
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> • Greater alignment of legislation with EU requirements through legislation amendments and improvements; • Increased compliance among professional bodies with IFAC SMOs, and compliance of accounting education systems with IES; • Progress in implementing standards compliant with the EU Auditing Directive and increased readiness to implement the process for audit quality assurance; • IACM to apply for and become a full IFAC member.
Serbia	
Activity/Topic	No further activities due to companion country project "STAR-CFR".
Progress towards Program Outcomes and Lessons Learned	See documentation of companion country project.

2.2.3. Component 2a – Education Community of Practice (EduCoP)

Activities Overview

Activity	Topic	*	Date	Location
Workshop/ Event	SMP Forum: Joint event with IFAC		May 31	Vienna
	EduCoP: Accountancy Education Benchmarking Study - dissemination workshop		June 1	Vienna
Research/ Publication	Joint article with IFAC: topic TBD		May	N/A
	Accountancy Education – Overview of regional Good Practices in Accountancy Education		May	N/A

Description of Activities

The program year will be devoted to disseminating the results of the Accountancy Education Benchmarking Study. This will also provide an opportunity for practitioners in the region to discuss the Study's findings, the lessons learned, and the best way forward in future accountancy education reforms. The focus will be on initial university education as well as further capacity development of PAOs in complying with IES as a best practice for initial and continuous professional development.

As a joint event with IFAC, the SMP Forum will emphasize the comprehensive role that SMPs play in supporting SMEs to grow, and will also further explore the professional services that are emerging. Successful models and cases will be showcased and participating PAOs will benefit from IFAC SMP Committee's resources.

Expected Outcomes

- Increased capacity of professional bodies to comply with IES and, in particular, with the following: IES2 – Initial Professional Development – technical competence; IES 3 - Initial Professional Development – Professional Skills; IES4 – Initial Professional Development – Professional Values, Ethics and Attitudes and others;
- Synergies identified between academic and professional accountancy education, including ways in which competency maps and common education policies can be utilized to improve accountancy education and achieve the best possible use of scarce accountancy educational resources at the country level;
- Participating universities and PAOs will learn from good practices and through the peer exchange process, with a view to facilitating knowledge and skill within the region;
- Overall, activities are expected to support SMPs in offering a broader range of professional services that are more naturally suited to the SME profile, help SMEs to grow and to gain better access to finance, and help improve transparency and financial discipline.

2.2.4. Component 2b – Training of Trainers (ToT)

Activities Overview

Activity	Topic	*	Date	Location
Workshop	Audit ToT Module 3 - Audit Execution		March 15-16	Vienna
	ToT: Audit ToT Module 4 - Conclusion and Reporting		October 2-3	
Virtual seminar	Responding to Non Compliance with Laws and Regulations (NOCLAR)		April	N/A

Activity	Topic	*	Date	Location
	IAASB and IFAC SMP Update		December	
Research/ Publication	Data Analytics: Opportunities and Tips for SMPs		January	N/A
	SMP Catalog of Options: Professional services and Practice Models		October	
	Case Study: Small Client Simulation		November	

Description of Activities

The program year will be devoted to delivering workshops aimed at raising the capacity of SMPs to provide quality services to SME clients and to ensure that they are up to date with important developments in accountancy standards, such as the NOCLAR becoming effective in July 2017. Several publications will be delivered to raise awareness among practitioners, SMPs and PAOs that support their members to take advantage of the opportunities offered by advances in technologies, especially the use of data analytics and cataloging professional services and practice models for SMPs.

Expected Outcomes

- Raised capacity of professional bodies to comply with IES and, in particular, with: IES 7 – continuing professional development (CPD); IES 8 – competence requirements for audit professionals and others;
- Greater capacity of professional bodies to deliver high quality and sustainable training for SMPs and design CPD systems that comply with IFAC SMOs and IESs, including delivering training materials, practical teaching approaches and case studies for further local replication and use;
- Improved awareness and knowledge regarding the benefits that technology advances and data analytics bring to practitioners and how these advancements are impacting the accountancy profession to offer a wide range of services to SME clients;
- Strengthened capacity of SMPs to deliver a broader range of professional services more suitable to the SMEs (e.g. create fundable business plans, raise finance, take advantage of fiscal and other incentives, and generate credible financial information that meets the needs of investors, lenders and guarantors).

2.2.5. Component 3a – Financial Reporting Exchange Forum

Activities Overview

Activity	Topic	*	Date	Location
Seminar	IFRS seminar	Yes	October	Vienna
	Auditors and Supervisors	Yes	TBD	Vienna
Research/ Publication	Policy note: Critical path for enhancing collaboration between supervisors and auditors	Yes	TBD	N/A

Description of Activities

The IFRS Seminar will focus on the future implementation of IFRS 9, the accounting standard for financial instruments. Effective implementation of this standard is critical to the banking systems of all countries participating in the program. In particular, it implies that the level of provisioning for non-performing loans will be significantly higher than under the previous standard, IAS 39. In conjunction with the event, CFRR will organize a one-day exchange on the lessons learned from the implementation of the new guidelines for enhancing the collaboration between auditors and supervisors.

Expected Outcomes

- Continued capacity development of banking and insurance regulators and supervisors on IFRS as well as an enhanced ability to monitor the quality of financial statements;
- Further increase in cooperation facilitated between auditors and supervisors;
- Policy paper outlining the path to a better relationship between auditors and supervisors, leading to enhanced supervision of the banking system. This document will build on research and publications from 2015 and 2016.

2.2.6. Component 3b – Pilot Project on SME Reporting

Activities Overview

Activity	Topic	*	Date	Location
Study/ Publication/ Survey	Lending practices in the Balkans: A survey of banks' practices in Serbia		January	N/A
	Empirical study on the causality between quality financial reporting and cost of finance		February	N/A
	SME survey /Technical assistance product		November	N/A

Description of Activities

Two studies will be published in the early part of the year and disseminated. The CFRR will propose tools to enhance the loan application mechanisms to help SMEs in identifying their needs and propose tools to banks can use to collect financial information from SMEs as part of the loan application process.

Expected Outputs

- Delivery of first conclusions based on a quantitative model and surveys of banks and SMEs;
- Design of a pilot project to facilitate both the demand for financing and the loan application process for SMEs.

2.2.7. Component 4 – Regional Cooperation and Knowledge Sharing

Activities Overview

Activity	Topic	*	Date	Location
Workshop	Senior Officials' Workshop. Day 1 (technical focus): Implementing the <i>acquis communautaire</i> : key challenges; Day 2: Reviewing EU-REPARIS progress/supporting reform momentum jointly with donors.	Yes	March 28-29	Brussels
Knowledge Management	Newsletter covering EU-REPARIS activities	Yes	Quarterly	N/A
	Website pages: topics, events, country	Yes	Ongoing	N/A

Description of Activities

The Senior Officials' Workshop will provide an opportunity for senior policy makers to discuss their respective alignment and implementation challenges with EU and CFRR specialists. Joint discussions with EU-REPARIS program participants will facilitate experience sharing and peer learning. The workshop will also provide a forum for high-level representatives of beneficiary countries to interact directly with EU-REPARIS program partners from donor agencies. Taking advantage of the Workshop's location in Brussels, CFRR specialists will be able to engage in further discussions with EU representatives. The program's website will be revamped and integrated into the new World Bank website, resulting in a greatly enhanced user experience and use of the latest technology.

Expected Outcomes

- Participants will acquire additional knowledge to help them solve their reform challenges in a timely manner. The CFRR will identify common challenges faced by countries, thus ensuring that its work for the duration of EU-REPARIS is performed effectively;
- Increased opportunities for networking, experience sharing and international exchange, particularly with EU representatives;
- Clarity on the reform status and progress in each EU-REPARIS country, including reaching agreement on preferred future activities;
- Stronger linkages with reform partners, including a shared assessment of the status quo and consensus on possible avenues for the way forward.

3. PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES

3.1. Program Governance and Partners

EU-REPARIS is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR), with a core team of experts and a panel of short-term consultants. Each of the program's components is led by a senior specialist. The country dialogue is led by designated country relationship managers supported by World Bank colleagues in the local offices.

Senior Officials representing the governments of the program's participating countries, typically Deputy Ministers of Finance, meet at least annually to review progress of the program and to endorse the work-plan. A ministerial level conference is held every two years.

A group of stakeholders is consulted regularly. The group comprises market participants from the region, foreign investors and other stakeholders, and provides insights into improving the design and implementation of EU-REPARIS.

EU-REPARIS is an integral part of the Western Balkans Enterprise Development and Innovation (WB EDIF) Facility, an EC-led initiative to support the development and growth of SMEs in the Western Balkans region. The program is funded by the European Commission, Directorate General for European Neighbourhood Policy and Enlargement Negotiations, with which the CFRR partners closely throughout the implementation of this program. The CFRR drafts program plans and progress reports for discussion with the EC.

3.1.1. Management

Name	Position
Soukeyna Kane	Practice Manager
Jarett Decker	Head, CFRR

3.1.2. Country-relationship responsibilities

Country	CFRR	Country- based Support
Albania	Andrei Busuioc	Keler Gjika
Bosnia and Herzegovina	John Hodge	Lamija Marijanovic
Kosovo	Kalina Sukarova	-
FYR Macedonia	Kalina Sukarova	Atanasko Atanasovski

Country	CFRR	Country- based Support
Montenegro	Kalina Sukarova	-
Serbia	Alfred Borgonovo	Aleksandar Crnomarkovic

3.1.3. Activity responsibilities

Overall program oversight		Jarett Decker
Component 1	Corporate Financial Reporting Reform	Pascal Frerejacque
Component 2	Education and Capacity Development	Kalina Sukarova
Component 3	Access to Finance and Financial Sector	Pascal Frerejacque
Component 4	Regional Cooperation and Knowledge Sharing	John Hodge
Program Administration		Reinhard Haslinger

3.2. Status of Activities

Component	Planned/ Actual	WS	MC	GDLN	TA	Publication/ Research*
Corporate Financial Reporting	Planned	10		7	12	
	Actual	5		2	18	2
Education and Capacity Development	Planned	8		11	12	
	Actual	7		5	8	4
Access to Finance and Financial Sector	Planned	5		5	12	
	Actual	4.5		1	3	2
Regional Cooperation and Knowledge Sharing	Planned	3	2	3	7	
	Actual	2	1	0	0	
TOTAL	Planned	26	2	26	43	
	Actual	18.5	1	8	27	

**Not part of the initial table of activities but offered as additional information.*

This reflects on the status of activities initially planned.

NB: For program management reasons, TA mission travels have largely been focused in Component 1's sub-component "In-Country Implementation Support" and accordingly transferred from other components. TA missions to Albania and Serbia are being charged to the respective companion country project, thus, saving cost under EU-REPARIS. Furthermore,

TA is supported by locally based consultants in several countries, thus limiting the number of TA travel.

3.3. Financial Information

Financial information can be made available upon request.

ANNEX 1: PROGRAM BACKGROUND

Program Structure

The program is structured along three thematic components, and one cross cutting component:

- **Corporate Financial Reporting Reform:** To support the implementation of a framework for accounting and auditing that meets international standards. Key themes include the specific reporting needs of SMEs, the application of International Financial Reporting Standards (IFRS), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance arrangements for statutory audit. The component includes two sub-activity streams with the following objectives:
 - **Financial Reporting Community of Practice:** To provide direct technical assistance for the alignment of company law with the *acquis communautaire*, and for candidate countries to transpose the *acquis communautaire*, drawing on the experience of countries that have completed this process, especially Croatia. Ensuring increased transparency and confidence, this activity promotes and supports the enforcement of high standards of financial reporting that meet the needs of business management as well as potential investors, thus contributing to an improved business environment and investment climate fostering private sector and particularly SME development. The focus of this activity is on peer learning, seminars, facilitated knowledge exchange with relevant EU and global bodies, and the identification of common solutions to shared challenges. Technical assistance is provided to the community of practice to address challenges in the financial reporting needs of SMEs, the application of IFRS, the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance systems.
 - **In-Country and Implementation Support:** To help create effective links between the regional program and country-level implementation of national activities. Tailored to the needs of individual countries, help-desk type of assistance and on-demand technical assistance is being provided and addresses country or institutional specific needs/requests. Assistance allows for trouble-shooting specific technical issues during the program delivery phase, as well as providing individual and specific institutions with tailored technical advice, as appropriate. The activity is also intended to facilitate monitoring and evaluation of progress made in financial reporting reforms and related capacity development in beneficiary countries.
- **Education and Capacity Development:** To promote the development of accounting education aligned with International Accounting Education Standards and the educational requirements of the EU's Statutory Audit Directive: (i) at university level; (ii) for

professional qualifications; and (iii) for CPD of those already qualified. The component includes two main activity streams with the following objectives:

- Education Community of Practice: Supporting the educating and training of individuals to become and remain highly qualified accountants, this activity contributes to the development of internationally compatible accounting education for professional qualification, CPD, and at university level. There is substantial commonality of curriculum content, qualification systems, and lifelong learning requirements which are being addressed on a regional basis by the community of practice. Topics include the implementation of International Accounting Education Standards, application of the education requirements of the EU Statutory Audit Directive, and identification and replication of the experiences of EU universities in accounting education.
- Training of Trainers: To provide training sessions and tools for professional accounting organizations to train accountants in delivering effective financial reporting support to SMEs and private sector enterprises. This helps accounting organizations provide assistance to the private sector, particularly high-potential SMEs, to create fundable business plans, raise finance, take advantage of fiscal and other incentives, and generate credible financial information that meets the needs of investors, lenders and guarantors. This also includes support for the implementation of international auditing standards and the quality assurance of auditors that are necessary for a credible information infrastructure underpinning SME private sector financing.
- Access to Finance and Financial Sector to: (i) provide practical guidance and solutions to facilitate easier access to finance, and (ii) build capacity among financial sector regulators in the use of financial reporting standards to effectively monitor the financial sector, particularly the bank and insurance sectors. The component includes two activity streams with the following objectives:
 - Pilot Project on SME Reporting: To support an ongoing dialogue with banks, chambers of commerce, and business associations to develop a common understanding of the financial information required for a loan application and the relevance of financial statement audits. Workshops will discuss and benchmark financial information required from SMEs in existing loan applications, which will be used to develop a set of financial information to be tested during focus groups. The activity will also build on the experience of EU countries and best practices in other regions.
 - Financial Reporting for Supervisors: To help financial regulators acquire the skills necessary to analyze financial statements of banks prepared under IFRS and explore regulations that would require banks to obtain audited financial statements or other type of assurance for loans over certain thresholds. It also gives financial regulators a better understanding of the work of auditors, and the various types of assurance and types of opinion that an auditor can issue on financial statements.

- The cross-cutting component, Regional Cooperation and Knowledge Sharing: (i) helps maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials; and (ii) facilitates knowledge capturing and sharing through an online information portal and other knowledge management activities. It aims to nurture continued reform momentum and facilitate greater regional cooperation and regulatory coordination. Activities seek to ensure decision makers are fully aware of the issues at hand, have a solid financial reporting knowledge base, are up-to-date with regard to requirements and developments at the EU and international level, and are in a position to master the much needed financial reporting reform agenda. Additionally, a range of knowledge sharing activities, such as a comprehensive online information portal, are supported.

Results Framework

Program Development Objective	The objective of EU-REPARIS is to support the implementation of corporate financial reporting frameworks in line with the EU <i>acquis communautaire</i> in the countries of Southeast Europe with a view to promoting enhanced availability, transparency and reliability of financial information.
Outcome Indicators	<ul style="list-style-type: none"> • Progress in aligning existing frameworks with the <i>acquis</i>; • Enhanced capacity of the profession for applying international and EU standards of corporate financial reporting; • Presence of a functional audit quality assurance system.
Means of Verification	<ul style="list-style-type: none"> • Transposition tables; • EC Country Progress Reports; • Surveys; • Reports and statistic published by the International Federation of Accountants (IFAC) Official Gazettes; • A&A ROSC reports; • Regulatory and oversight agencies' annual reports.
Institutional Constraints and Assumptions	<ul style="list-style-type: none"> • Continuing support of the beneficiary countries to corporate financial reporting reforms; • Commitment to collaboration and regional harmonization by the beneficiaries; • Support for reforms and capacity development efforts by the beneficiary countries' business communities.

Intermediate Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
Statutory frameworks for corporate financial reporting more effective and aligned with the acquis.	<ul style="list-style-type: none"> Progress in implementing standards compliant with the EU Accounting Directive, including financial reporting standards and process for audit quality assurance; Published strategies to improve corporate financial reporting frameworks and practices; International Financial Reporting and Auditing Standards (IFRS and ISA) available in local languages. 	<ul style="list-style-type: none"> Official Gazettes, government websites and other official communications; EC Country Progress Reports; Transposition tables; A&A ROSC reports; Government and PAO websites; Published financial statements; Independent auditor reports; Regulators' enforcement reports; Financial Sector Stability Assessment (FSSA) reports; Perception surveys. 	<ul style="list-style-type: none"> Efforts to sustain reform momentum can help overcome resistance by vested interests to modernizing the statutory framework and mobilize support of national parliaments.
Improved accounting education systems and capacity of the accounting profession.	<ul style="list-style-type: none"> Professional bodies comply with IFAC statements of membership obligations; Accounting education systems comply with International IES; Academic qualification of local universities are recognized by EU-based universities and professional accountancy bodies. 	<ul style="list-style-type: none"> IFAC website and publications Analytical reports and published research on accounting education systems; A&A ROSC reports. 	<ul style="list-style-type: none"> Tertiary and professional education institutions in EU countries willing to cooperate with peers in beneficiary countries; Accounting organizations and regulatory agencies cooperate to develop audit quality assurance systems.

Intermediate Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
Enhanced reporting practices in the financial sector and improved understanding of how IFRS and financial reporting can facilitate access to finance.	<ul style="list-style-type: none"> • Capacity of financial supervisors to monitor quality of financial statements; • Application of reconciliation approach using prudential filters; • Financial institutions using accounting information for credit decisions and risk monitoring. 	<ul style="list-style-type: none"> • Participation in technical workshops and training courses; • Central bank and banking supervisory body reports; • Surveys of SMEs and banks. 	<ul style="list-style-type: none"> • Continued commitment of financial supervisory authorities to building their capacity for monitoring and enforcing IFRS.
Sustained reform momentum, regional collaboration and active knowledge transfer.	<ul style="list-style-type: none"> • Continued commitment to peer exchange • Translations of international standards and education materials shared by relevant countries • Participation of Ministers and other senior officials in program events 	<ul style="list-style-type: none"> • Government, professional accounting organizations, CFRR and IFAC websites; • REPARIS Progress Reports; • Website and newsletter traffic monitoring tools; • Surveys; • Self-assessment; • Degree of participation in meetings and seminars. 	Beneficiary countries commit to achieving single economic space through collaboration and harmonization of their corporate financial reporting systems.

ANNEX 2: DESCRIPTIONS OF ACTIVITIES COMPLETED IN 2016

Component 1a – Corporate Financial Reporting Reform

SME Financial Information Catalyst for Lending, Vienna, 6-7 December

Thirty-three representatives from ministries of finance, ministries of economy, the accounting and audit profession, and agencies involved in SME corporate financial reporting in EU-REPARIS countries attended this workshop at the Austrian Ministry of Finance. Participants explored how better quality financial information can help small and medium-sized enterprises (SMEs) gain greater access to bank financing, thus enabling them to grow. Discussions focused, *inter alia*, on: (i) the importance of SMEs financial information for access to finance, (ii) the role of the small and medium practices from the accounting profession in assisting managers and owners of companies to obtain the right information to steer their businesses, identify and identify financing gaps, and (iii) the alignment of SMEs' reporting requirements in the Western Balkans with those of the EU accounting directive.

Component 2a – Education Community of Practice

PAO Regional Forum: The contribution of PAOs to Economic Growth, Vienna, 28 April

Representatives of over 20 Professional Accountancy Organizations (PAOs) met with experts from the World Bank, the International Federation of Accountants, and the International Accounting Standards Board to discuss the contribution of PAOs to economic growth.

Publication: Accountancy Education Benchmarking Study

Six countries participated in the Study between March 2015 and May 2016: Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro and Serbia. The Study was a comprehensive assessment of the countries' 14 universities and PAOs, which together provide 25 academic and professional accountancy education programs to around 4,120 enrolled students. Curricula content, learning outcomes and proficiency levels from these accountancy programs were analyzed using IES 2 and 4 as the main benchmark, with supplementary benchmarking done for the purposes of comparing syllabi and course content with those of the Association of Chartered Certified Accountants (ACCA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

Component 2b – Education: Training of Trainers

Developing the audit profession's capacity to deliver high-quality ISA training, Vienna, 25-26 February

Over 30 participants representing professional accountancy organization (PAOs) and other institutions responsible for the design and delivery of continuing professional development (CPD) programs reconnected in Vienna, where they had attended the Audit ToT Community of Practice inception workshop from 30 November - 1 December 2015. This workshop provided an introduction for participants to the following: ISA, quality assurance, ethical requirements and preliminary engagement activities. It also covered: an introduction to audit risk; understanding the entity and its environment; assessing the entity control environment and the risk of fraud; and the auditor's responsibility to consider laws and regulations.

IFRS for SMEs: Train the Trainers Workshop, Vienna, 22-24 February

Over 40 participants responsible for training accountants and auditors, whether in universities, PAOs, or as professional trainers, attended this three-day workshop. This was the first of a 'train the trainer' workshop series focusing on in-person knowledge transfer and skills development. Topics covered on Day 1 included the use and relevance of the range of general purpose financial information frameworks, and implementing the 2015 amendments to the IFRS for SMEs.

Risk Assessment and Audit Strategy, 17-18 October 2016, Vienna

This two-day interactive workshop in Vienna, attended by approximately 30 participants, focused on risk assessment and audit strategy. ISA requirements covering audit planning activities, analytical reviews, materiality, risk assessment, and examples on how much documentation on systems, processes and controls is required for an SME client were covered. As part of the training, participants engaged in group exercises on presentation skills and techniques aimed at improving the soft skills of the participating trainers. Participants also explored role play exercises aimed to develop interview skills.

Audit Training of Trainers' Virtual Seminar: New and Revised Auditor Reporting Standards, 13 September

This virtual workshop, which was attended by around 70 participants, addressed the main changes introduced by the International Auditing and Assurance Standards Board's project to enhance auditors' reporting. In particular, participants learned about the expected benefits of the new standard, ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report, effective from December 15, 2016. The workshop also shared some early reporting examples from a practitioner's perspective.

Audit Training of Trainers Virtual Workshop: Updates from IAASB and the IFAC SMP Committee, 14 December 2016

This virtual workshop updated participants on the new and ongoing initiatives of the International Auditing and Assurance Standards Board (IAASB) and the International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Committee over the past year. Participants also received an insight into the priorities and future projects of the IAASB and the IFAC SMP Committee. Presentations were made by Megan Zietsman, Incoming Deputy Chair, IAASB, and Dawn McGeachy, IFAC Small and Medium Practices Committee Member. Participants were able to attend the workshop remotely from Belgrade, Bucharest, New York, Podgorica, Pristina, Sarajevo, Skopje, Sofia, Tallinn, Tirana, Vienna and Zagreb.

Publication: Smaller Audits: Challenges and Insights

Smaller audits are considered "a specialty", with their own unique set of challenges for practitioners to address when engaging with smaller clients. This publication highlights some of those challenges and provides related insights that might be useful for practitioners, Small and Medium Sized Practices (SMPs) and Professional Accounting Organizations (PAOs) as they support their members.

Publication: Practical guide for PAOs on continuing professional development for accountants

Professional accountants recognize that achieving and maintaining the highest levels of professional competence help them win business and retain clients. PAOs have an important role to play in encouraging, facilitating and monitoring life-long learning. With the support of participating PAOs involved in the EU-REPARIS Audit Training of Trainers program, the World Bank Centre for Financial Reporting Reform has produced a short practical guide on Continuing Professional Development (CPD). This offers tips and suggestions of good CPD practices to help PAOs and their members meet international standards and keep pace with accountancy changes and innovations.

Component 3a – Financial Reporting Exchange Forum

Supervisors' Exchange Forum, Vienna, 7-9 September

Supervisors and regulators responsible for supervising banks and insurance undertakings from 13 countries across Europe attended the 2016 Supervisors' Exchange Forum in Vienna, Austria. The forum was hosted by the CFRR and the Austrian Ministry of Finance and provided an opportunity to launch the World Bank Guide on the Relationship between Supervisors and Auditors. The Guide was the culmination of consultations between the CFRR and senior banking supervisors. It documents good banking supervisory practices for cooperating with auditors. It also provides a set of concrete measures ranging from legislative changes to

practical suggestions to improve capacity building and day-to-day working practices with auditors.

Publication: World Bank Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship

The Guide draws together recommendations to improve the relationship between supervisors and external auditors illustrated by good practices from 35 supervisory authorities across Europe and Central Asia (ECA). It has been developed as a supplement to the 2015 World Bank Centre for Financial Reporting Reform (CFRR) report on Banking Supervisors and External Auditors: Building a Constructive Relationship. Its main objective is to assist banking supervisors in managing their relationships with banks' auditors and in developing their policies which will contribute to build enhanced auditing and supervisory practices

The Guide also takes into account the 2014 Guidance of the Basel Committee on Banking Supervision (BCBS) on External Audits of Banks and the 2016 European Banking Authority (EBA) Guidelines on the Communication between auditors and competent authorities. The CFRR's report and its work are acknowledged in the EBA guidelines.

Component 3b – Pilot Project on SME Reporting

An empirical study and a bank survey both may provide evidence showing financial information to be relevant in lending practices when it comes to loan decisions and loan pricing. The study used information from more than 2,000 SMEs with a loan, and compared the accrual quality as an indicator of the quality of financial statements and the cost of debt for the same enterprises. This study, which replicates earlier research conducted in the U.S. and Belgium and is subject to further peer review, is the first to be carried out in an emerging economy (i.e. Serbia). Findings corroborate the results of the 2016 survey of key banks which together represent more than 50 percent of the market.

Component 4 – Regional Cooperation and Knowledge Sharing

Senior Officials' Workshop, Vienna, 26 April

Around 100 senior officials leading accounting and auditing reforms in countries participating in the EU-REPARIS and STAREP programs came together to share reform progress and exchange experiences of recent initiatives in the area of accounting and auditing. The workshop also took a broader look at a number of key cross-cutting issues and considered the impact of financial reporting on economic development.

Ministerial Conference on Quality Financial Reporting: A Catalyst for Growth, Vienna, 27 April 2016

The biennial Ministerial Conference hosted by the World Bank’s Centre for Financial Reporting Reform (CFRR) addressed the impact that quality financial reporting has on catalyzing growth in investments and economies. Around 240 delegates attended the Conference, including ministers of finance, senior government representatives, and representatives of the business, professional and academic communities from across Europe and Central Asia (ECA), along with experts from key international organizations. In view of the current economic situation and the key role that the private sector needs to play in creating jobs to boost the economy, speakers repeatedly stressed the importance of enhancing the quality of financial information to achieve greater transparency and, as such, act as a catalyst for growth. The key benefits of reliable financial reporting identified throughout the Conference were financial stability, private sector development, and public administration reform.

Publication: Connecting Voices - Financial Information: Catalyst for Growth

This special edition of “Connecting Voices” was published to coincide with the Ministerial Conference in Vienna on 27 April 2016. The theme of the magazine, Financial Information: Catalyst for Growth, is reflected in its articles and interviews, which focus on the importance of timely, reliable, and transparent financial information as a driver and contributor of sustainable economic growth. It also explores how financial reporting reform fits into the World Bank’s global development strategy, and introduces some of the countries, partners, people and topics that are at the heart of the CFRR’s work in this area.

