

# CFRR>>

Centre for Financial  
Reporting Reform



WORLD BANK GROUP  
Governance



Road to Europe – Program of Accounting Reform and Institutional Strengthening

# Program Description and Program Plan

2015

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*This document was prepared by:*



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## List of Abbreviations and Acronyms

ACCA	Association of Chartered Certified Accountants (UK)	IFRS	International Financial Reporting Standards
ADA	Austrian Development Agency	IPA	Instrument for Pre-Accession
A&A	Accounting and Auditing	IPD	Initial Professional Development
AO	Audit and Oversight	ISA	International Standards on Auditing
BCBS	Basel Committee on Banking Supervision	ISQC	International Standard on Quality Assurance (for Audit firms, issued by IAASB)
BiH	Bosnia and Herzegovina	KM	Knowledge Management
CAP	Country Action Plan	MDTF	Multi-Donor Trust Fund
CCA	Croatian Chamber of Auditors	M&E	Monitoring and Evaluation
CDRF	Capacity Development Results Framework	MoF	Ministry of Finance
CFR	Corporate Financial Reporting	MoFE	Ministry of Finance and Economy (used where applicable)
CFRCoP	CFR Community of Practice	MPG	Market Participants Groups
CFRR	Centre for Financial Reporting Reform	PAO	Professional Accountancy Organization (PB)
CoP	Community of Practice	PB	Professional Body (PAO)
CPD	Continuing Professional Development/CPE	PIE	Public Interest Entity
DAC	Donor Advisory Council	PIOB	Public Interest Oversight Board
EC	European Commission	QA	Quality Assurance
EduCoP	Accounting Education Community of Practice	RLG	Regulatory Liaison Group
EU	European Union	REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
FBIH	Federation of Bosnia and Herzegovina	ROSC	Report on the Observance of Standards and Codes
FBHA	Association of Accountants, Auditors and Financial Workers of the Federation of BiH in Bosnia & Herzegovina	RS	Republica Sprska
FR	Financial Reporting	RSAAA	BiH Republika Srpska Association of Accountants and Auditors
FSB	Financial Stability Board	SAD	Statutory Audit Directive
GDLN	Global Development Learning Network	SCAAK	Society of Certified Accountants and Auditors of Kosovo
IAASB	International Auditing and Assurance Standards Board	SCOA	Serbian Chamber of Auditors
IAESB	International Accounting Education Standards Board	SECO	Swiss State Secretariat for Economic Affairs
ICAM	Institute of Certified Accountants of Montenegro	SME	Small or Medium-sized Enterprise
ICARM	Institute of Authorized Auditors-FYR Macedonia	SRRS	Serbian Association of Accountants and Auditors
ICE	In-Country Engagement	SAA	Stabilization and Association Agreement (ref EU Enlargement)
IDF	Institutional Development Fund (World Bank)	TA	Technical Assistance
IEKA	Albanian Institute of Authorized Auditors	UNCTAD	United Nations Conference on Trade and Development
IES	International Education Standards for Professional Accountants	USAID	United States Agency for International Development
IESBA	International Ethics Standards Board for Accountancy (IFAC Board)	WB	World Bank
IFAC	International Federation of Accountants		

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## Executive Summary

Strong financial reporting systems which reflect the needs of different types of businesses support sustainable economic growth. Financial reporting promotes enhanced availability, transparency and reliability of financial information, it helps ensure regulatory compliance, and it supports a business and investment climate conducive to private sector development.

The countries of Southeast Europe, including Albania, Bosnia and Herzegovina, Kosovo<sup>1</sup>, FYR Macedonia, Montenegro and Serbia, are candidates or potential candidates for EU enlargement and are in the process of closer integrating with the EU and the EU's internal market, and aligning their legislative frameworks with the EU *acquis communautaire*.

EU-REPARIS is funded by the European Union and is an integral part of the Technical Assistance (TA) Facility of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) which supports SME development and growth through finance and technical assistance services. EU-REPARIS is implemented by the World Bank Centre for Financial Reporting Reform and builds on the work undertaken as part of Road to European – Program of Accounting Reform and Institutional Strengthening (REPARIS) from 2008 to 2014.

Working with governments and in-country stakeholders, EU-REPARIS seeks to:

- Help develop strong institutional frameworks for corporate financial reporting;
- Assist the accounting profession to provide effective business support services;
- Improve financial literacy and raise awareness of the role of financial reporting;
- Encourage greater regional harmonization of corporate financial reporting frameworks.

Organized on a regional basis, EU-REPARIS engages at three levels:

- Providing knowledge and training, using diagnostics to help identify areas of weakness;
- Encouraging peer to peer learning and experience sharing amongst participating countries to promote regional cooperation and coordinated actions within a common framework;
- Offering country-level reform implementation support in the development of sustainable and effective institutions and capacity building.

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

1. Supporting the implementation of a **framework for accounting and auditing** that meets international standards, addressing 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. Planned activities include the fostering of a Community of Practice (CoP) with regular joint learning events, seminars and facilitated knowledge exchange with relevant EU and global bodies and each other. This component also supports accounting and auditing reform at the country level, assisting with specific projects and financing targeted and critical technical assistance. It enables

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<sup>1</sup> This designation is without prejudice to positions on status, and is in line with UNSCR1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

regular dialogue with country authorities and facilitates ongoing monitoring and evaluation.

2. Promoting 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 qualification, and (iii) for continuing professional development of those already qualified. A CoP will collaborate on common solutions to shared challenges. A regional university curricula benchmarking study will be conducted in all EU-REPARIS countries, comparing an international recognized curricula benchmark in accounting and auditing education against local university curricula. A "Training of Trainers" stream of activities will train Professional Accountancy Organizations (PAOs), offering them tools to train accountants, and organize trainings and continuous professional development for their member practices.
3. Facilitating **easier access to finance** through practical guidance and solutions, and building capacity among financial sector regulators in the use of financial reporting standards to effectively monitor the financial sector, particularly the bank and insurance sectors. Key activities are facilitating a dialogue between regulators and auditors and organizing an annual training event, in collaboration with the International Accounting Standards Board, and several virtual seminars updating supervisors of the implications of IFRS changes. There will also be a project to develop a common understanding of financial information required for a loan application and the relevance of audited financial statements in support of SME improved access to credit.
4. Ensuring sustained **reform momentum, regional collaboration and active knowledge transfer** among participating stakeholders by regular engagement with Ministers of Finance, senior government officials, and other key stakeholders. Activities include high-level conferences and workshops and dissemination of information through publications, website and newsletters.

Senior Officials representing the Governments of participating countries, typically Deputy Ministers of Finance, will review progress at least annually and a stakeholders' group, involving market participants from the region, foreign investors and other stakeholders, will provide insights to improve the design and implementation of EU-REPARIS. A results framework is used to assess the progress and outcomes of EU-REPARIS against its objectives. Indicators used include progress in aligning existing frameworks with the acquis; the enhanced capacity of the profession to apply international and EU standards of corporate financial reporting; and the presence of a functional audit quality assurance system.

# 1. Background and Context

## EU Integration and WB EDIF

The countries of Southeast Europe including Albania, Bosnia and Herzegovina, Kosovo<sup>2</sup>, Former Yugoslav Republic of Macedonia, Montenegro and Serbia are candidates or potential candidates for EU enlargement. As such, they are in the process of aligning their legislative frameworks with the EU *acquis communautaire* which EU-REPARIS supports as regards the financial reporting aspects.

The countries of Southeast Europe are also beneficiaries of the EU led Western Balkans Enterprise Development and Innovation Facility (WB EDIF) which seeks to promote SME development and financing as well as enhance the associated regulatory frameworks in the region. With a view to alignment with EU law, an improved business and investment climate, economic growth, and particularly private sector development, EU-REPARIS aims support with its efforts the World Bank's twin goals of eliminating extreme poverty, and particularly promoting shared prosperity.

## Role of Financial Reporting for a Functioning Investment Climate

As well as being a requirement of EU accession, strong financial reporting systems with reporting requirements that reflect the needs of different types of businesses help in several ways to create a business climate which supports sustainable economic growth and reduces the barriers facing high-potential SMEs and the corporate sector at large:

- For high-potential SMEs seeking venture capital finance, appropriate financial reporting standards (such as the IFRS for SMEs) can reduce the barriers to an eventual flotation, making venture capital (early stage equity) investment more attractive.
- Adopting shared and internationally recognized reporting standards across Southeast Europe makes it easier for domestic businesses to expand to operating on the regional and the wider European markets – a key factor for growth.
- The credibility provided by sound financial reporting gives banks and other providers of external finance the confidence to move beyond basing lending decisions solely on the collateral available toward lending on the basis of the business cash flows.
- Modern and effective financial reporting systems, if aligned with national tax systems, can also help to reduce the burden of tax compliance.
- Relevant financial reporting can help businesses monitor which activities generate the greatest returns and thus manage their operations more effectively.

## Key Issues

EU-REPARIS supports a functioning business and investment climate and builds on existing efforts as well as strong client demand. It aims to promote transparency and strengthen corporate financial reporting practices as a key feature of a well-functioning market economy. It particularly focuses on strengthening countries' capacity to make available

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<sup>2</sup> This designation is without prejudice to positions on status, and is in line with UNSCR1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

sound, high-quality and accurate financial information that are needed by regulators, investors and financial intermediaries. It aims to help enhance tertiary education as well as continuous professional development. Working with governments and in-country stakeholders, the following issues are to be addressed:

- In each participating country, strong improvements towards an institutional framework for corporate financial reporting aligned with the acquis are needed.
- The accounting profession in each participating country needs to be better equipped to be in a position to provide effective business support services required by enterprises and particularly SMEs such as access to finance, business planning and business management, and compliance with regulatory requirements.
- There is a need to inform stakeholders of the relationship between improved financial reporting and better access to finance;
- A higher degree of harmonization of the corporate financial reporting frameworks across Southeast Europe, as well as increased and continued awareness of the benefits and successful approaches to corporate financial reporting reform in participating countries, are needed.



## 2. Program Description

### From REPARIS to EU-REPARIS

Since 2008, countries of Southeast Europe have been supported by the Road to Europe – Program of Accounting Reform and Institutional Strengthening (REPARIS). This program has established effective regional communities of practice that regularly bring together stakeholders including ministers of finance, senior officials, professional bodies, standard setters, regulators and educators. It has assisted professional accounting bodies to achieve membership of the International Federation of Accountants (IFAC), so formally joining the global community of professional accountancy bodies and committing to implementing international standards. Several countries have (i) advanced in transposing the accounting and audit *acquis* into national law, (ii) started to implement quality assurance systems, and (iii) introduced IFRS for SMEs. The program has fostered strong regional cooperation. Bosnia and Herzegovina, Montenegro and Serbia (and soon extended to Croatia and FYR Macedonia) share a “single passport” for accountants with full mutual recognition.

REPARIS came to an end in 2014 and the countries of Southeast Europe expressed strong interest in a new program to support the next phase of financial reporting reform, placing particular emphasis on completing the process of aligning their national frameworks for financial reporting with the relevant provisions of the *acquis*. Financed by IPA funds as part of the Technical Assistance (TA) component of the Western Balkans Enterprise Development Innovation Facility (WB EDIF) EU-REPARIS focuses on SME development, and supports other business entities such as listed companies, banks, and state-owned enterprises (SOEs) will share the benefits of the program.

### Program Development Objective

The objective of EU-REPARIS is to support the implementation of corporate financial reporting frameworks in line with the EU *acquis communautaire* in the countries of Southeast Europe, with a view to promoting enhanced availability, transparency and reliability of financial information.

### Description of EU-REPARIS

EU-REPARIS supports countries of Southeast Europe complete the alignment of their financial reporting laws with the *acquis communautaire* in a way that reduces the barriers to growth. It also helps the accounting profession develop and maintain their relevance and expertise. An important aspect of the program is to help create conditions in which companies, particularly SMEs, can move to the next stage of their development including accessing sources of venture capital and the project aims to develop practical tools and approaches that enhance the financial reporting of SMEs and reduce related barriers to lending.

EU-REPARIS activities are developed based on the findings and recommendations of A&A ROSC diagnostics, which have been completed in all countries of Southeast Europe. The program delivers policy advice and technical support in partnership with other institutions

and works closely with EU institutions responsible for policy in the area as well as national institutions supporting private sector and SME development in the region (such as the Centre for Entrepreneurial Learning in Croatia and the Serbian Innovation Fund). It is built on a capacity building and client-driven approach that includes peer- learning sessions and communities of practice exchanges. It facilitates regional cooperation and offers convening services through high-level conferences, policy discussions and seminars featuring globally and EU relevant institutions as well as renowned speakers and experts. Managed by the Vienna based World Bank Centre for Financial Reporting Reform, the program provides just-in-time country-specific technical assistance and help-desk type services for implementation efforts on the ground. The program is supported by a rich online portal and repository of information in the area of financial reporting.

EU-REPARIS is based on a model of “peer learning,” so that the participating countries learn from the reform experiences of their fellow participants, helping them avoid problems that others have already faced. Although CFRR staff will play a valuable coordinating role, the structure of EU-REPARIS, in particular its use of Communities of Practice which bring together specialist practitioners in professional education, corporate financial reporting, and financial regulation from all the participating countries to exchange experiences, is designed to allow as many opportunities as possible for participants to learn from their peers’ experiences with designing and implementing financial reporting reforms.

## Program Partners

Funding for EU-REPARIS is provided by the European Union (European Commission - DG European Neighborhood Policy and Enlargement Negotiations) as part of the Technical Assistance (TA) Facility of the Western Balkans Enterprise Development Innovation Facility (WB EDIF) platform. To support socio-economic development and EU accession across the Southeast Europe region, the EU has established WB EDIF which aims to increase the financial resources made available to SMEs in Southeast Europe, and to provide technical assistance for strategic investments, particularly in infrastructure, energy efficiency and private sector development. WB EDIF was launched in December 2012 as a joint initiative of the EU, International Financial Institutions (IFIs), bilateral donors and the governments of Southeast Europe.

Other external partners providing expertise for this program include the International Federation of Accountants (IFAC) the International Accounting Standards Board (IASB) including the IFRS Foundation, EFRAG, FEE and others.

Close collaboration and exchange with WB EDIF partners is a core element of this program.

### 3. Approach and Program Structure

EU-REPARIS is organized on a regional basis, complemented by national initiatives to support financial reporting reform. The participant countries have a shared goal of accession to the EU and also face many common challenges in setting up effective systems of financial reporting and fostering the growth of SMEs. The regional approach of the program helps participating countries to tackle these shared issues together, while learning from each other's experiences. This "peer-learning" aspect of the program reduces the costs of financial reporting reform by helping participants to avoid problems that others have already faced. A regional approach also magnifies the convening power of the program, leaders of global accounting and standard-setting bodies, as well as the leading EU institutions in financial reporting, have all taken part in past REPARIS events.

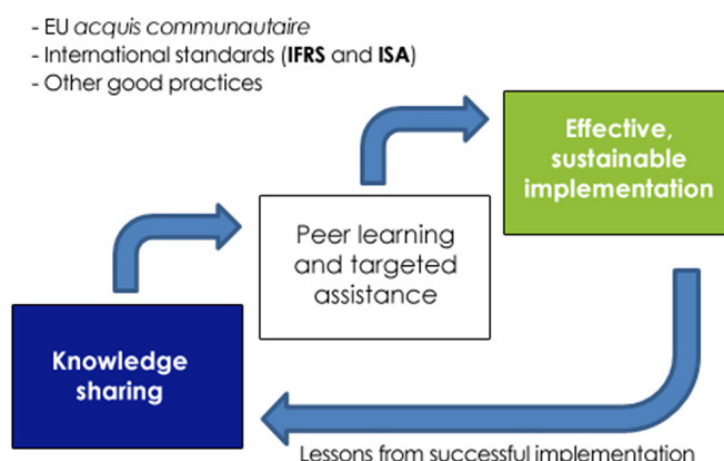
#### Engagement on Three Levels

As a capacity building and technical assistance program EU-REPARIS assists in establishing effective frameworks for corporate financial reporting aligned with good international practices and, through gradual alignment and convergence, with the EU *acquis communautaire*.

The program builds on the REPARIS program and findings from A&A ROSC diagnostics which have been completed in all beneficiary countries. The program is structured around the notion of knowledge and experience sharing, peer learning and targeted assistance, and support to effective, sustainable implementation. Through expert presentations and professional facilitation, the program provides integrated advisory services, effective knowledge management, training, implementation support, and monitoring and evaluation assistance to the beneficiary countries.

The program puts a heavy focus on regional activities mainly directed towards knowledge transfer and experience sharing, thus achieving significant economies of scale allowing the countries to tackle issues shared regionally, fostering cooperation and coordinated actions among Western Balkan countries within a common framework.

In addition, the program provides country-level reform implementation support, aimed at supporting CFR institutions and capacity building to ensure their sustainability and effectiveness.



## Program Features

As part of the overall capacity building effort, the principal audience is engaged through a set of knowledge and experience sharing activities including regular community of practice exchanges, workshops and seminars, high-level, cross-regional thematic conferences, distance learning events such as GDLN sessions, webinars through Adobe Connect and other available technology and tools.

Furthermore, electronic newsletters will be issued on a regular basis to provide updates and background information on relevant topics. A comprehensive online information portal supports the program by making available a knowledge repository allowing program participants to retrieve relevant information, background materials, presentations etc. on discussed topics. Facilitating social networking through collaborative spaces such as Wikis and community tools may be considered, if appropriate. The main program features, adapted to each of the three main dimensions of knowledge sharing, peer learning and implementation support, include:

- Participants of Communities of Practice (CoPs) meet regularly through face-to-face workshops and virtual (video-conference) seminars intended to foster peer exchange and learning and to help address different issues and challenges (e.g., accounting and auditing issues in the context of the financial sector);
- High-level technical conferences on relevant topics, to build and sustain reform momentum and showcase progress and success stories;
- Study trips to EU member countries that have addressed similar challenges a track record of successful financial reporting reform implementation;
- Technical dialogue with participating countries to facilitate policy decisions, capacity building, and implementation of reforms;
- Other targeted, country-level technical advice and reform implementation support, in the form of training courses, support to drafting of legislation and regulation, development of methodologies and analytical work.

## Program Components

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

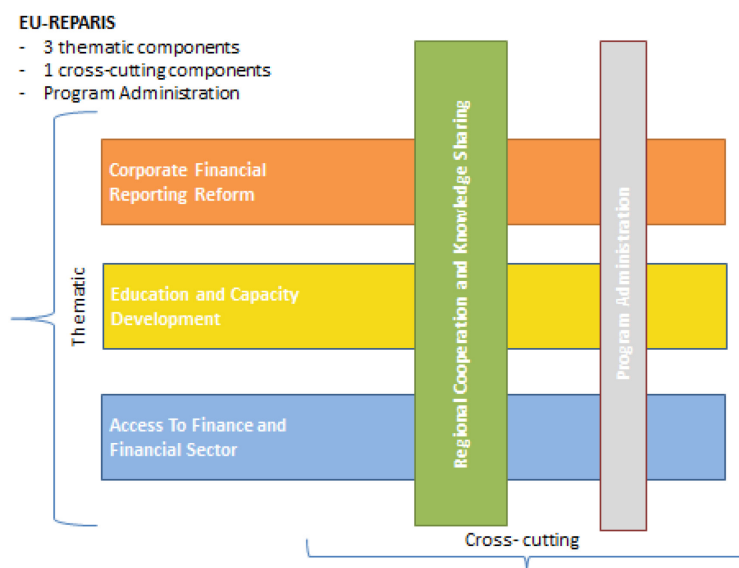
- **Corporate Financial Reporting Reform:** To support the implementation of a framework for accounting and auditing that meets international standards. Key themes include the specific reporting needs of SMEs, the application of International Financial Reporting Standards (IFRS), the enforcement of financial 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:** The activity provides direct technical assistance for the alignment of company law with the *acquis*, and for candidate countries' to transpose the *acquis*, 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 International Financial Reporting Standards (IFRS), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance systems.

- **In-Country and Implementation Support:** This helps 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 qualification, and (iii) for continuing professional development 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, continuing professional development, and at university level. There is substantial commonality of curriculum content, qualification systems, and lifelong learning requirements 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:** This activity provides training sessions and tools for professional accounting organizations to train accountants in providing 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:** This activity will 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, and this 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:** This activity helps financial regulators acquire the skills necessary to analyze financial statements of banks prepared under IFRS and explore regulation 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, 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 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 in regard to requirements and developments at 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.



## Program Participants

The program aims to engage a broad set of stakeholders in both the public and private sectors. The main stakeholders expected to participate include:

- Government officials responsible for drawing up and implementing the framework for corporate financial reporting. These will generally be in ministries of finance but other ministries may also be involved, such as ministries of the economy and, as regards the EU acquis, ministries of European or foreign affairs;
- Setters of national accounting and auditing standards, in government and PAOs;
- Staff working in central banks and regulators of financial firms who need to be able to analyze financial statements produced by banks and other financial institutions in order to carry out their regulatory tasks effectively;
- Staff responsible for supervising the professional education of accountants and auditors, from universities and PAOs, and those responsible for overseeing audit work and the professional standards of auditors;
- Compilers of financial statements in the private sector;
- Users of financial statements, especially sources of external finance, such as banks and investors on capital markets.

### EU-REPARIS Participant Groups



## 4. Expected Outcomes and Planned Activities 2015

The following describes the activities that will be carried out in each component during the program period January – Dec 2015.

### Component 1 – Corporate Financial Reporting Reform

#### Expected outcomes

This component supports the implementation of accounting and auditing frameworks that meet the requirements of the EU acquis, and that serve the needs of companies, particularly small and medium size enterprises, helping companies to commerce and finance their needs. Activities are directed towards the development of country strategies that improve financial reporting frameworks and practices that are compliant with the EU Accounting and Auditing Directives. These will inform the development of laws and regulations, and the availability of international accounting standards such as IFRS for SMEs, full IFRS, and auditing standards, ISA, including translation in local language. Progress is measured through transposition tables comparing local requirements with EU directives and regulations, ROSC accounting and auditing assessments, EC progress and other reports, and qualitative review by CFRR staff.

There are two main activity streams, i) the Corporate Financial Reporting Community of Practice, and ii) In-country and Implementation Support.

#### Planned activities - Corporate Financial Reporting Community of Practice

The Financial Reporting Community of Practice will build the capacity of countries participating in EU REPARIS by increasing the financial reporting knowledge of country-level stakeholders and facilitate their collaboration on the identification of common solutions to shared challenges. Peer learning will be achieved through a Community of Practice (CoP) approach, facilitated by the CFRR, comprising regular joint learning, seminars, and knowledge exchange events with relevant EU and global bodies.

Topics of discussion will include:

- Accounting:**
- Implementing accounting systems which take account the capacity and needs of reporting companies, including possible implementation of a standard derived from IFRS for SMEs and compatible with EU Law, and the option for a micro-regime offered by the new accounting directive (2013).
  - Opportunities to better align financial reporting and tax reporting.
  - Definition of PIEs that need to prepare IFRS financial statements, and have them audited;
  - Impact of the scope of PIEs on quality assurance and public oversight systems

**Audit and Oversight:**

- Strategies to implement quality assurance and public oversight systems, introduction to systems that have successfully built capacity in Europe;
- Discussion of possible public oversight and quality assurance regional cooperation on the monitoring of audit quality and the review of audits of PIEs in South Eastern Europe. Cooperation could be based on a joint pool of inspectors with: (i) common education and professional background, (ii) adequate training, and (iii) common tools

Activities will include:

**Workshops**

- Financial Reporting Community of Practice: Launch; Key challenges in Implementing the EU Accounting Directive; May 2015, Vienna
- Financial Reporting Community of Practice: Definition of PIEs and Public Oversight, September 2015, Tirana

**Virtual Seminars**

- IFRS for SMEs
- Auditing and SMPs

**Publication**

- Preparation of a publication on: “Standardizing formats for better comparability” (expected to be published in 2016)

**Planned activities - In-country engagement and Implementation support**

Activities support accounting and auditing reform at the country level, helping with the preparation of projects and financing small and targeted technical assistance. The technical assistance will focus on both critical and urgent issues, which require limited resources and cannot wait for a holistic country-level project. There will be regular dialogue with the country authorities, typically focused on one or two priorities identified for a specific year. There will also be ongoing monitoring and evaluation.

Albania, Montenegro and Serbia have companion country projects, so no particular activities are planned under EU-REPARIS with the exception of a joint EBRD/CFRR workshop on IFRS for SMEs in Belgrade (March 2015).

Envisaged country-level activities include:

- BiH: Align legal framework with EU requirement; support the implementation of IFRS for SMEs; support Federation and RS with the initial development of a QAS.
- Kosovo: Align legal framework with EU requirements; establishment of a QA system.
- FYR Macedonia: Align legal framework with EU requirement; simplification of accounting and reporting for micro entities; assist the development of the oversight body.

Additionally, it is expected that key CFRR staff will travel to each country at least once annually for stakeholder discussions and to provide technical assistance with implementation and guidance on the ground. Travel can be more significant based on priorities identified each year.

## **Component 2 – Education and Capacity Development**

### **Expected outcomes**

This component supports the development of accounting education systems, and the capacity of the accounting profession, fully aligned with the International Accountings Education Standards and the educational requirements of the EU's Audit Directives at the university level, for professional qualification, and for continuous professional development. A key area is to help professional accountancy organizations comply fully with IFAC statements of membership obligations. Progress is measured by whether PAOs are able to become IFAC members as well as through ROSC assessments and other qualitative assessments by CFRR specialist, including a planned benchmarking study.

The component includes two main activity streams, the Education Community of Practice (EduCoP), and the Training of Trainers (ToT) stream.

### **Planned activities - Education Community of Practice (EduCoP)**

The focus will be on capacity building through peer learning, adopting a Community of Practice (CoP) approach which includes regular joint learning, seminars, facilitated knowledge exchange with relevant EU and global bodies, and the collaboration on the identification of common solutions to shared challenges. The CFRR is facilitating a regional university curricula benchmarking study, to be conducted in all REPARIS countries. The study compares an international recognized curricula benchmark in accounting and auditing education with university curricula in the selected country sample. This will assess how each country compares to the benchmark and identify areas for improving accounting and auditing education systems. The results of the benchmarking study will be made available in a publication during February 2016. Two regional workshops will present the two parts of the study and provide opportunities for in-depth discussions about the benchmarking tool and strategies going forward. Universities in two of the participating countries will host the workshops.

#### **Workshops**

- EduCoP: Launch; regional benchmarking study on A&A curricula (I), June 2015, Ohrid
- EduCoP: Regional benchmarking study on A&A curricula (II), November 2015, Pristina

#### **Publication**

- Benchmarking Study (expected to be published in 2016)



## **Planned activities – Training of Trainers (ToT)**

The Training of Trainers stream of activities provides training and tools to PAOs allowing them to train accountants, and organize trainings and continuous professional development for their member practices.

### **Workshops**

- IFRS for SMEs and the complexity of the reporting environment, October 2015, Thessaloniki

### **Virtual Seminars**

- Practical tools and examples: TBD

## **Component 3 – Access to Finance and Financial Sector**

### **Expected outcomes**

This component (i) provides practical guidance and solutions to facilitate easier access to finance, and (ii) builds capacity among financial sector regulators in the use of IFRS to effectively monitor the financial sector, particularly the bank and insurance sectors. A country pilot project will address the first part of the component's objective, working with business community partners to identify opportunities for enhancing the quality and the adequacy of financial reporting information to banks, including assurance provided by the auditing profession. Training activities and studies to help prudential supervisors use a broader array of information in discharging their supervisory duties will contribute to better supervision and address the second part of the component. The component will show how better targeted financial reporting practices can facilitate better access to finance, and contribute to an enhanced supervisory environment for a safer banking sector responding to the needs of the business community. Progress is measured through (i) broad recognition of the pilot study including follow-up activities by financial intermediaries, SMEs or Governments, and (ii) qualitative assessments of prudential regulators' capacity.

The component is structured along two activity streams, the Financial Reporting Exchange Forum, and the Pilot Project on SME Reporting.

### **Planned activities - Financial Reporting Exchange Forum**

The CFRR delivers annual training events and virtual seminars, in collaboration with the International Accounting Standards Board, informing participants of the implications of changes in IFRS relating to financial instruments, leases and more generally to fair-value measurement. In addition, the CFRR continues to facilitate dialogue between regulators and auditors, including conducting a survey on the relationship between auditors and banking regulators and their cooperation in preparing supervisory reports in Europe, and using this information to produce a report for the regulators outlining the findings.

### **Workshops**

- Relationship between supervisors and auditors, May 2015, Vienna

- IFRS Executive Seminar: September 2015, Vienna

**Publication**

- Relationship between supervisors and auditors, June 2015, Vienna

**Virtual Seminars**

- Regulatory Update, May-December, 2015

**Planned activities – Pilot Project on SME Financing**

The activity is expected 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 providing assurance on financial statements. Workshops will discuss and benchmark financial information required from SMEs in existing loan applications and the findings will be used to develop a sample set of financial information which will then be tested by focus groups. As part of this project, the CFRR will work with the business community and a bank of an individual country (not yet identified) to investigate whether, and how, improved financial reporting is able to contribute to better access to credit at better rates. The CFRR seeks to associate key players in Western Europe with this work and seek their contributions to this agenda.

**Publication**

- Stocktaking, Nov 2015
- Extending credit to SMEs (expected to be published in March 2016)

**Component 4: Regional Cooperation and Knowledge Sharing****Expected outcomes**

This component's main objective is to ensure sustained reform momentum, regional collaboration and active knowledge transfer among participating stakeholders by regularly engaging with Ministers of Finance, senior government officials, and other key stakeholders. It is expected that beneficiary countries will continue to show a high degree of commitment to reform and participation in program activities. Progress is measured by the degree of participation in related events, the overall outlook of financial reporting reform evaluated through CFRR qualitative assessments, progress reports and other, as well as the level of collaboration i.e. the sharing translations of international standards and education materials.

**Planned activities**

Planned activities include Ministerial and senior level conferences to which Ministers of Finance of beneficiary countries are invited, regular workshops with senior officials, and facilitated knowledge exchange with major stakeholder groups such as market participants and international regulators. Activities also include publications and knowledge management work, particularly website work and newsletters. The program of activities for 2015 includes:

**Workshops and Meetings**

- Launch of EU-REPARIS - Senior Officials Workshop, May 2015, Vienna
- Stakeholder group meeting, TBD

**Publications**

- Update of the publication “Corporate Sector Accounting and Auditing in the Acquis Communautaire” (January 2015)
- Croatia’s EU Accession: Case Studies on Reform and the Transposition of the Community Acquis (June 2015)
- Audit Practices (expected to be published in 2016)
- Update of the publication “Corporate Sector Accounting and Auditing in the Acquis Communautaire” (expected to be published in 2016)

**Knowledge Management**

- Website: event, country and topic related content pages
- Quarterly newsletter

## 5. Program Administration

### Program Governance

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 under the leadership of Henri Fortin. Each of the program's components is led by a senior specialist. This structure is designed to ensure that the program's resources are used efficiently.

Senior Officials representing the Governments of the program participating countries, typically Deputy Ministers of Finance, will meet at least annually to review progress of the program and to endorse the work-plan.

A stakeholders' group, bringing together market participants from the region, foreign investors and other stakeholders provides insights to improve the design and implementation of EU-REPARIS.

EU-REPARIS is funded by the European Commission, Directorate General for European Neighborhood Policy and Enlargement Negotiations with which the CFRR closely partners throughout the implementation of this program. The CFRR drafts program plans and progress reports for discussion with the EC.

EU-REPARIS is also 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 CFRR will participate in WB EDIF meetings, particularly the Platform Advisory Group to present planned activities and report on progress made.

### Team Members

EU-REPARIS is implemented by CFRR staff that includes among others the following individuals:

### Management

Soukeyna Kane	Practice Manager
Henri Fortin	Head, CFRR

## Country-relationship responsibilities

	<b>CFRR</b>	<b>Country based</b>
Albania	Andrei Busuioc	Keler Gjika
BiH	Pascal Frerejacque	
Kosovo	Kalina Sukarova	
Macedonia	Kalina Sukarova	Atanasko Atanasovski
Montenegro	Kalina Sukarova	Danijela Vukajlovic-Grba
Serbia	Jarrett Decker	Aleksandar Crnomarkovic

## Activity responsibilities

Overall program manager		Henri Fortin
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	Henri Fortin
Program Management		Reinhard Haslinger
Technical and Knowledge Support		Johanna Lincoln
		Lejla Begtasevic
		Elena Salcher
		Susan Schroeder
		Ecaterina Gusarova



## Summary Table of Activities

Component	No.	Type of Activity	Topic	Time	Location
1: Corporate Financial Reporting Reform	<b>(A) Financial Reporting Community of Practice</b>				
	1	2-day-Workshop	FRCoP: Launch; Key challenges in Implementating the EU Directive	May 2015	Vienna
	2	2-day-Workshop	FRCoP: Definition of PIEs and Public Oversight	September 2015	Tirana
	3	Virtual seminar series	IFRS for SMEs	July - Dec 2015	
	4	Virtual seminar series	Auditing and SMPs	January - Dec 2015	
	5	Publication	Standardizing formats for better comparability	(expected for May 2016)	
	<b>(B) In-country and Implementation Support</b>				
	All countries	1	Mission visits	On-the-ground technical assistance (2-3 visits per year/ per country)	TBD
	Albania	2		No further activities due to Albania companion country project	Tirana
	BiH	3	1-day-Workshop (3)	Legal framework: IFRS for SMEs; improvement of legal framework QA&POS: Support Federation with QA and POS operational start; support RS ensuring independence btw. Profession and academia	Sarajevo
Kosovo	4	1-day-Workshop (3)	Legal framework: reform of law; QA&POS: establishment of QA	TBD	Pristina
Macedonia	5	1-day-Workshop (3)	A) Legal framework: (i) close gaps in acquis alignment; (ii) simplification of acc. standards for micro ent; (iii) implement. support for law; B) QA&POS: capacity development for oversight body	TBD	Skopje
Montenegro	6		No further activities due to companion IDF project		Podgorica
Serbia	7	1.5-day-Workshop (1)	IFRS for SMEs (No further activities due to companion country project)	February 2015	Belgrade
2: Education and Capacity Development	<b>(A) Education Community of Practice</b>				
	1	2-day-Workshop	EduCoP: Launch; regional benchmarking study on A&A curricula (I)	June 2015	Ohrid
	2	2-day-Workshop	EduCoP: Regional benchmarking study on A&A curricula (II)	Nov 2015	Pristina
	3	Publication	Benchmarking study	(expected for Feb 2016)	
	<b>(B) Training of Trainers</b>				
	1	2-day-Workshop	IFRS for SMEs and the complexity of the reporting environment	Oct 2015	Thessaloniki
	2	Virtual seminar series	Practical tools and examples: TBD	TBD	

Component	No.	Type of Activity	Topic	Time	Location
<b>3: Access to Finance and Financial Sector</b>	<b>(A) Financial Reporting Exchange Forum</b>				
	1	2-day-Workshop	Relationship between supervisors and auditors	May 2015	Vienna
	2	2-day Workshop	IFRS Executive Seminar for Supervisors	September 2015	Vienna
	3	Publication	Relationship between supervisors and auditors	June 2015	
	4	Virtual seminar series	Regulatory Update	May - December 2015	
	<b>(B) Pilot Project on SME Reporting</b>				
	1	Study	Stocktaking	Nov 2015	
	2	Publication	Extending credit to SMEs	(expected for March 2016)	
<b>4: Regional Cooperation and Knowledge Sharing</b>	1	1-day WS	Launch of EU-REPARIS - Senior Officials Workshop	May 2015	Vienna
	2	Meeting	Stakeholder group meeting	TBD	Vienna
	3	Publication	Update of the Acquis Guide	January 2015	
	4	Publication	Croatia's EU Accession: Case Studies on Reform and the Transposition of the Community Acquis	June 2015	
	5	Publication	Update of the Acquis Guide	(expected for April 2016)	
	6	Publication	Audit Practices	(expected for May 2016)	
	7	KM/ Website	Event, country and topic pages		
	8	KM/ Newsletter	Quarterly		

## Budget

This information is available, on request, from a member of the CFRR team.

## Annex: Results Framework

Program Development Objective	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
The objective of EU-REPARIS is to support the implementation of corporate financial reporting frameworks in line with the EU acquis communautaire in the countries of Southeast Europe with a view to promoting enhanced availability, transparency and reliability of financial information.	<ul style="list-style-type: none"> <li>Progress in aligning existing frameworks with the acquis</li> <li>Enhanced capacity of the profession for applying international and EU standards of corporate financial reporting</li> <li>Presence of a functional audit quality assurance system</li> </ul>	<ul style="list-style-type: none"> <li>Transposition tables</li> <li>EC Country Progress Reports</li> <li>Surveys</li> <li>Reports and statistic published by the International Federation of Accountants (IFAC) Official Gazettes</li> <li>A&amp;A ROSC reports</li> <li>Regulatory and oversight agencies' annual reports</li> </ul>	<ul style="list-style-type: none"> <li>Continuing support of the beneficiary countries to corporate financial reporting reforms</li> <li>Commitment to collaboration and regional harmonization by the beneficiaries</li> <li>Support for reforms and capacity development efforts by the beneficiary countries' business communities</li> </ul>
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"> <li>Progress in implementing standards compliant with the EU Accounting Directive, including financial reporting standards and process for audit quality assurance</li> <li>Published strategies to improve corporate financial reporting frameworks and practices</li> <li>International Financial Reporting and Auditing Standards (IFRS and ISA) available in local languages</li> </ul>	<ul style="list-style-type: none"> <li>Official Gazettes, government websites and other official communications</li> <li>EC Country Progress Reports</li> <li>Transposition tables</li> <li>A&amp;A ROSC reports</li> <li>Government and PAO websites</li> <li>Published financial statements</li> <li>Independent auditor reports</li> <li>Regulators' enforcement reports</li> <li>Financial Sector Stability Assessment (FSSA) reports</li> <li>Perception surveys</li> </ul>	<ul style="list-style-type: none"> <li>Efforts to sustain reform momentum can help overcome resistance by vested interest to modernizing the statutory framework and mobilize support of national parliaments.</li> </ul>

Intermediate Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
Improved accounting education systems and capacity of the accounting profession.	<ul style="list-style-type: none"> <li>Professional bodies comply with IFAC statements of membership obligations</li> <li>Accounting education systems comply with International IES</li> <li>Academic qualification of local universities are recognized by EU-based universities and professional accountancy bodies</li> </ul>	<ul style="list-style-type: none"> <li>IFAC website and publications</li> <li>Analytical reports and published research on accounting education systems</li> <li>A&amp;A ROSC reports</li> </ul>	<ul style="list-style-type: none"> <li>Tertiary and professional education institutions in EU countries willing to cooperate with peers in beneficiary countries</li> <li>Accounting organizations and regulatory agencies cooperate to develop audit quality assurance systems</li> </ul>
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"> <li>Capacity of financial supervisors to monitor quality of financial statements</li> <li>Application of reconciliation approach using prudential filters</li> <li>Financial institutions using accounting information for credit decisions and risk monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Participation in technical workshops and training courses</li> <li>Central bank and banking supervisory body reports</li> <li>Surveys of SMEs and banks</li> </ul>	<ul style="list-style-type: none"> <li>Continued commitment of financial supervisory authorities to building their capacity for monitoring and enforcing IFRS</li> </ul>
Sustained reform momentum, regional collaboration and active knowledge transfer.	<ul style="list-style-type: none"> <li>Continued commitment to peer exchange</li> <li>Translations of international standards and education materials shared by relevant countries</li> <li>Participation of Ministers and other senior officials in program events</li> </ul>	<ul style="list-style-type: none"> <li>Government, professional accounting organizations, CFRR and IFAC websites</li> <li>REPARIS Progress Reports</li> <li>Website and newsletter traffic monitoring tools</li> <li>Surveys</li> <li>Self-assessment</li> <li>Degree of participation in meetings and seminars</li> </ul>	Beneficiary countries commit to achieving single economic space through collaboration and harmonization of their corporate financial reporting systems



