



KAREP

TERTIARY ACCOUNTING EDUCATION REFORM IN THE KYRGYZ REPUBLIC

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TERTIARY ACCOUNTING EDUCATION REFORM IN THE KYRGYZ REPUBLIC

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LIST OF ACRONYMS

A&A ROSC	Accounting and Auditing Reports on the Observance of Standards and Codes
ACCA	Association of Chartered Certified Accountants
ALE	Association of Legal Entities
AUCA	American University of Central Asia
CAA	Chamber of Accountants and Auditors
CAP	Certified Accounting Practitioner
CBAETC	Competency-based Accounting Education, Training, and Certification
CFRR	World Bank Centre for Financial Reporting Reform
CIMA	Chartered Institute of Management Accountants
CIPA	Certified International Professional Accountant
CPD	Continuing Professional Development
DFID	United Kingdom Department for International Development
EAEU	Eurasian Economic Union
ECTS	European Credit Transfer System
EQUIS	European Foundation for Management Development Quality Improvement System
GDP	Gross Domestic Product
HEIs	Higher Education Institutions
IAESB	International Accounting Education Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
IESs	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFRS for SMEs	IFRS for Small and Medium Enterprises
IPD	Initial Professional Development
ISA	International Standards on Auditing
KAREP	Kyrgyz Audit and Reporting Enhancement Project
KEU	Kyrgyz Economic University
KNU	Kyrgyz National University
KRSU	Kyrgyz Russian Slavic University

Manas	Manas Kyrgyz-Turkish University
MAUFIB	International Academy of Management, Law, Finance, and Business
MOES	Ministry of Education and Science
OSH	Osh State University
PAO	Professional Accountancy Organization
PU	Public Union
PVET	Primary Vocational Education and Training
SES	State Education Standard
SME	Small and Medium-sized Enterprise
SSRSFM	State Service for Regulation and Supervision of Financial Markets
SVET	Secondary Vocational Education and Training
UAA	Union of Accountants and Auditors
USD	United States Dollar

EXECUTIVE SUMMARY

Sound financial reporting frameworks and practices establish a fundamental basis for improving businesses' governance and raising public accountability. High quality financial information, prepared and disclosed properly with the appropriate disclosure of reliable financial data, can positively influence investor confidence and contribute to the growth of direct investment in the Kyrgyz Republic.

Development of a competent accounting and audit profession in particular is vital for sustainable economic development. To function optimally, economies and markets need correct, timely, and reliable information. Producing trustworthy financial information requires sound national accounting and auditing frameworks, adequate and realistic requirements, and effective mechanisms to ensure compliance. None of these can be achieved without a mature accounting and audit profession.

The goal of the Kyrgyz Audit and Reporting Enhancement Project (KAREP) in the area of education is to provide competency-based accounting education, training, and certification (CBAETC) to young professionals who complete a university degree and a professional accounting or auditing qualification. The overarching purpose of implementing CBAETC is to increase and maintain the competence of professional accountants at both the point of certification and throughout their careers, to serve the legitimate objectives of their employers and clients while always protecting the public interest.

This report aims to assist universities improve their accounting education curricula. It analyzes existing university programs in accounting and auditing and makes recommendations to achieve closer alignment to the International Education Standards (IESs) and best practices, in particular by leveraging the World Bank Centre for Financial Reporting Reform's (CFRR) ongoing accounting education activities.

Kyrgyzstan was part of the Soviet Union until 1991, when the Republic of Kyrgyzstan proclaimed its independence. As highlighted in the STAREP Regional Education Study published by the CFRR in 2020¹, one of the legacies of the Soviet Union was an accounting system very different in nature to the systems which developed in market economies during the 20th Century. Without significant decision-making abilities at the firm level, a competitive environment in which profit margins needed to be closely monitored, or a complex financial system offering a range different funding options requiring regular reporting to lenders or investors, it is hardly surprising that accounting practices in former Soviet countries lagged significantly behind those of mature market economies in the early 1990s.

The legacy of the Soviet Union in education is still very visible in accounting education practices in the Kyrgyz Republic. Higher education did figure prominently in the central state

¹ <https://cfrr.worldbank.org/publications/regional-education-study-starep-countries>

plans which were very detailed. Technical education was a priority, as many engineers were needed to support the objectives of economic growth and technological progress. Acquisition of knowledge took a back seat to supporting the master plan. It should also be noted that a significant amount of the curriculum was dedicated to the fundamentals of Marxism-Leninism, historical materialism, and languages. The independence gained by former Soviet countries in the early 1990s initially led to replacing some of these topics with national history and literature.

As a relatively small country, with a dispersed population and a large rural sector, the Kyrgyz Republic has lacked incentive to develop the accounting profession since the country's independence. The population of the Kyrgyz Republic is just under 6 million people, largely living in rural areas. The country's gross domestic product (GDP) per capita remains under \$4,000² and almost half of the labor force is employed in agriculture. Many professional accountancy organizations (PAO) have been created, but they lack the recognition and resources required to adequately support members.

Accounting and auditing activities are respectively regulated by the Law on Accounting and the Law on Audit Activities, both issued in 2002. Financial reporting requirements vary based on the size of the reporting entity and include use of International Financial Reporting Standards (IFRS) for public interest entities. IFRS for Small and Medium Enterprises (SMEs) are acceptable for non-public interest entities. Where required, audits are to be based on International Standards on Auditing (ISA). Audit quality assurance requirements have not yet been implemented, and this is one of the KAREP goals.

Only auditors are regulated, the responsible government agency is the State Service for Regulation and Supervision of Financial Markets (SSRSFM). The SSRSFM administers the four examinations (law and taxation, accounting, auditing, and financial analysis) required to obtain an audit certificate and maintains a register of licensed auditors. The eligibility requirements for licensed auditors include completion of a university degree in economics/finance as well as three years of relevant experience, or seven years of relevant experience for candidates without the prescribed university degree.

There were two leading PAOs in the Kyrgyz Republic, The Chamber of Accountants and Auditors (CAA) and the Union of Accountants and Auditors (UAA), which have a limited role and which merged in 2019 into one PAO to become UAA. UAA is currently IFAC associate member. The PAO has membership requirements based on qualifications, offer continuing professional development (CPD) to members and is involved in other areas of training. However, as it does not manage a professional qualification, officially required to be recognized by employers and to hold certain roles, its resources and scope for action remain

² <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/kg.html>

limited. The PAO undertakes advocacy activities on behalf of the accounting profession, including through its participation in the Expert Council of the SSRSFM.

University education in the Kyrgyz Republic faces similar challenges to other former Soviet Union countries in delivering programs which match the needs of employers in the area of accounting and finance. University programs in mature economies have been progressively updated and moved to a competency-based education model, focusing on expertise and skills matching the changing needs of business during the last few decades. Universities in the Kyrgyz Republic inherited outdated programs with a strong focus on instilling political and social values amongst students. Furthermore, accounting in the former Soviet Union was effectively limited to a bookkeeping function and reporting on achievement of the national production goals set by the state.

The official government curriculum for undergraduate programs reflects this inheritance. Several other factors contributed to keeping the curriculum outdated: knowledge gaps among existing teaching staff and a lack of resources to attract new professors or to acquire relevant teaching resources. The absence of a tradition of exchange with the business community and an economy dominated by agriculture and resources also reduced incentive to modernize accounting and business degrees.

A benchmarking study of eight different universities in 2018 and 2019 helped identify some common features. The benchmarking tool incorporates the learning outcomes of the first nine courses of the Association of Chartered Certified Accountants (ACCA) Program, the Chartered Institute of Public Finance and Accountancy Program, and IESs to evaluate the coverage of learning outcomes by universities at the undergraduate level. Management accounting, performance management, financial reporting, and financial management were identified as the areas most in need of improvements. Coverage of financial accounting by most institutions surveyed was found to be adequate but required improvements to better cover IFRS and IFRS for SMEs, ethics, and emerging issues such as new financial technologies.

A survey conducted with universities during 2018 identified some common challenges they faced. With the exception of one university, which has achieved exemptions into the Certified Accounting Practitioner – Certified International Professional Accountant (CAP-CIPA) Program and one university achieving several exemptions for graduating students into the ACCA Program, the vast majority of local degree programs are not connected to professional qualification schemes, and none of the universities surveyed had completed an international quality assurance scheme such as the European Foundation for Management Development. Quality Improvement System (EQUIS). Formal exchange agreements with foreign universities are very limited and involve only neighboring countries or other former members of the Soviet Union.

Accounting education in the Kyrgyz Republic needs to be significantly overhauled to (a) become more relevant to the current market needs of employers and (b) provide young

graduates and professionals with career development opportunities commensurate with their ambitions.

A major project is being undertaken by the International Federation of Accountants (IFAC) in collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW).

The project is funded by the Department for International Development (DFID), a branch of the UK Government, and aims to support the reform of corporate financial reporting in the Kyrgyz Republic. The project aims to address the gaps with international best practice in the Kyrgyz Republic's institutional framework, the capacity of its regulators, PAOs, and the accountancy profession as well as professional education.

The IFAC/ICAEW/DFID project is working with the audit regulator (SSRSFM) and the leading PAO (UAA) to establish a three-level qualification framework in the Kyrgyz Republic, with completion of each level being a pre-requisite to undertaking the next level. The third and final level would replace the existing audit license examinations. The second level would be administered by the UAA and its completion would be tied to obtaining a “professional accountant’s qualification” subject to meeting the practical experience required specified by the UAA. The first level would also administered by the UAA, with the expectation that local universities would incorporate its curriculum into their undergraduate degree program, leading to exemptions for graduating students.

The World Bank organized a series of accounting education reform events and workshops in 2018 and 2019 under KAREP, in close coordination with the IFAC/ICAEW/DFID project team. A range of different stakeholders were invited to attend the workshops, including representatives of the SSRSFM, PAOs, and universities. The workshops and conferences helped develop understanding of the need for reform, build the engagement of various stakeholders, and design the new qualification framework. The results of the benchmarking study and survey, as well as a range of educational resources were also disseminated amongst participants.

While the IFAC/ICAEW/DFID project team is focused on the development the new National Audit Certification (level 3) and a Professional Accountancy Qualification (level 2), the World Bank KAREP team will continue its activities in the area of advocacy and capacity-building. World Bank activities will in particular advocate for the reform of the university level national curriculum “Accounting, analysis and audit” stream of studies in particular. Workshops will continue to be held and Russian language resources shared with Universities and PAOs to support the implementation of competency-based accounting education. It is expected that as a result of the reform in accounting education at least the first level skills and competencies of national audit certification will be achievable by completing a recognized bachelor’s degree. This will eventually provide graduates with better work placement and professional development opportunities.

INTRODUCTION

In 2008, the World Bank performed a comprehensive assessment of the accounting, financial reporting, and auditing requirements and practices within the enterprise and financial sectors in the Kyrgyz Republic. The Report on the Observance of Standards and Codes (A&A ROSC) was issued in November 2008 and is publicly available. This report noted certain progress in corporate financial reporting reforms achieved by the country, highlighted the main areas of weakness in national financial reporting infrastructure, as well as outlined a series of recommendations for improvements in statutory framework, institutional capacity building, and strengthening accounting education and literacy in the Kyrgyz Republic. Key recommendations included:

- Updating the statutory framework governing financial reporting and audit, and further aligning it with international good practices;
- Introducing a multi-tier system for financial reporting requirements based on the size and public importance of business entities;
- Building proper institutional architecture within the SSRSFM, and increasing its capacity in terms of the number and qualification level of its staff;
- Developing an audit quality assurance system for the audit profession in the country;
- Establishing systematic monitoring and enforcement mechanisms to ensure compliance with accounting and auditing standards;
- **Strengthening the capacity of the accounting and auditing professions and improving university education programs in the country.**

In the aftermath of the A&A ROSC Report, the World Bank launched KAREP with the generous support of the Swiss Confederation (State Secretariat for Economic Affairs). KAREP's development objective is to equip the Kyrgyz Republic with a sound institutional framework for corporate financial reporting and auditing, compliant with the relevant international standards, by drawing on good international practices and building capacity for teaching, applying, monitoring, and using sound financial information.

KAREP contains four different components:

- **Component 1:** Enhancing the statutory framework for corporate financial reporting;
- **Component 2:** Capacity strengthening for key institutions for policy making and enforcement of financial reporting requirements;
- **Component 3:** Improving accountancy education, financial literacy, and use of financial information;
- **Component 4:** Project management, reform capacity, monitoring, and evaluation.

Component 3 is designed to focus on raising the standard of accounting education in the country and improving financial literacy among various groups of stakeholders. In particular, the component aims to:

- Educate preparers of general-purpose financial statements on the use of IFRS and IFRS for SMEs;
- Assist universities in realigning university-level education closer to the IESs;
- Assist professional bodies and regulators in modernizing professional education for accountants and auditors through promoting regionally or internationally recognized accounting accreditations;
- Raise awareness of the benefits of good financial reporting for the local business community through training and peer learning experiences for finance and business journalists.

This study was prepared as part of the implementation of Component 3. The main objective was to assess university-level education in order to develop recommendations on its further development and improvement. A diagnostic was conducted at a sample of universities which offer undergraduate degree programs with a concentration in accounting and finance between June 2018 and December 2018 and validated in Spring 2020. As a result of the diagnostic it was concluded that curriculums of most of the universities did not correspond to the recommended coverage of 80%. Detailed curricula analysis of the different institutions surveyed further revealed a focus on theory (economics in particular) rather than imparting practical competencies to students. Only one institution has fully implemented a competency-based approach incorporating intended learning outcomes with different levels of competence.

1. COUNTRY BACKGROUND

The Kyrgyz Republic is a small, mountainous, landlocked nation at the northern arm of the Himalayas of incredible natural beauty and proud nomadic traditions. Significant climatic differences exist between the lush valleys, plateaus, and mountains. Bordering countries include China, Kazakhstan, Tajikistan, and Uzbekistan.

Kyrgyzstan became part of the Soviet Union in 1924, and the Republic of Kyrgyzstan proclaimed its independence on 31 August 1991, becoming the Kyrgyz Republic in 1993. The President holds substantial powers as head of state even though the Prime Minister oversees the Kyrgyz Government and selects most cabinet members. The current constitution was adopted by a referendum in June 2010. Constitutional amendments that bolstered some presidential powers and transferred others from the president to the prime minister were passed in a referendum in December 2016.

The population of the Kyrgyz Republic was estimated at 5.96 million in 2020.³ High fertility rates coupled with a young population are projected to continue to enhance the share of the working-age population, which stood at 61% in 2012. A majority of the population is under the age of 24, and the demographic dividend for the country is expected to last until about 2050. The vast majority of Kyrgyzstanis live in rural areas. The densest population settlement is to the north in and around the capital, Bishkek, followed by Osh in the west. The least densely populated area is the east, especially the southeast, including the Tien Shan mountains.

At the time of independence, more than 60% of the population was employed by collective farms oriented to produce for the Soviet Union. The industry sector, accounting for more than 30% of GDP, also served the Soviet industrial complex.

Following independence, market reforms were rapidly implemented, such as improving the regulatory system and instituting land reform. The government has privatized much of its ownership shares in public enterprises. Despite these reforms, the country suffered a severe drop in production in the early 1990s and has again faced slow growth in recent years as the global financial crisis and declining oil prices have dampened economies across Central Asia. The Kyrgyz Government remains dependent on foreign donor support to finance its annual budget deficit of approximately 3 to 5% of GDP. Remittances constitute a significant portion of GDP (30% as of 2015⁴). The economy is factor-driven with low-cost labor and unprocessed natural resources, of which gold is the leading commodity.

Kyrgyz leaders hope that the country's August 2015 accession to the Eurasian Economic Union (EAEU) will bolster trade and investment; however, slowing economies in Russia and

³ <https://www.cia.gov/library/publications/the-world-factbook/geos/kg.html>

⁴ Assessment of Higher Education in the Kyrgyz Republic, Asian Development Bank, 2015

China and low commodity prices continue to hamper economic growth. Large-scale trade and investments pledged by Kyrgyz leaders have been slow to develop. Since acceding to the EAEU, the Kyrgyz Republic has continued harmonizing its laws and regulations to meet EAEU standards but economic development continues to be hampered by a lack of administrative transparency, lack of diversity in domestic industries, and difficulty attracting foreign aid and investment.

Despite some important progress since 2011, improving governance remains the country's overriding development challenge. To address the need for increased transparency and accountability across the main sectors of the Kyrgyz economy, the Government had dedicated significant efforts and put governance improvements high on its agenda, including adoption of the National Sustainable Development Strategy 2013-17 and adoption of the Strategy for Developing Corporate Financial Reporting and Audit in the Kyrgyz Republic for 2014-2020. These governance reforms, if implemented effectively, could play a crucial role in promoting the economy's potential growth prospects.

2. FINANCIAL REPORTING REGULATIONS AND INSTITUTIONS

The Law on Accounting No. 76 of 2002 sets out the main principles of accounting and financial reporting in the Kyrgyz Republic. Amendments to the Accounting Law in February 2013 introduced differentiated financial reporting requirements, resulting in reporting requirements that depend on the size and degree of public interest in business entities. The full version of IFRS is applicable only to public interest entities, including listed companies, banks, other financial institutions, investment funds, insurance companies, and non-government pension funds. IFRS for SMEs are acceptable for use by all entities that do not meet the definition of public interest entities.

SMEs, sole traders, and micro businesses can apply simplified accounting rules established by the Government of the Kyrgyz Republic or IFRS for SMEs on a voluntary basis. Financial institutions operating according to the principles of Islamic banking and finance use Islamic financial accounting standards adopted in accordance with the Kyrgyz law.

The Law on Audit Activities No. 134 of 2002 sets out general provisions for the practice of auditing. Banks and other financial institutions, insurance companies, issuers of publicly traded securities, and other entities specified by law are subject to statutory audits. The Government's Resolution on ISA Adoption in Kyrgyz Republic No. 470 of 2008 requires audits to be conducted in accordance with the ISA as promulgated by the International Auditing and Assurance Standards Board. The Russian translation of ISA 2010 is the required version for application since 2016. Audit quality assurance review systems have not been implemented due to resource constraints, but their establishment is one of the KAREP objectives.

The SSRSFM regulates all auditors subject to the laws of the Kyrgyz Republic. The relevant legislation is: On the Authorized State Body in the Field of Supervision and Regulation of the Financial Market No. 249 of 2009 and On Audit Activity No. 134 of 2002. The SSRSFM is responsible for: (i) establishing initial professional development (IPD) and CPD requirements for audit professionals, licensing, and registration of auditors; (ii) maintaining an auditors' register; (iii) establishing requirements for professional auditors' qualification; (iv) administering the professional competency certification examination; (v) enforcing the professional standards approved for application by Kyrgyz auditors; and (vi) conducting quality control reviews and putting in place investigations and discipline processes for non-compliance with the standards and laws of the Kyrgyz Republic. The provision of CPD for auditors is conducted by the UAA and CAA according to the selection of advanced training programs by the SSRSFM during 2013 and 2014. Currently auditors undertake CPD at their choice of professional organization accredited by the Ministry of Education of the Kyrgyz Republic. SSRSFM approves the program and the number of hours for CPD training.

According to the Law on Audit Activities No. 134 of 2002, candidates with a university degree in economics/finance wishing to obtain an audit certificate and license must acquire three years of relevant experience, while candidates without such a degree must have seven years of relevant experience. Relevant experience is interpreted as “financial analysis and/or controlling-revision” work. Candidates must also pass four examinations in law and taxation, accounting, auditing, and financial analysis. Existing legislation permits the recognition of foreign qualifications only when there is a mutual recognition agreement with the other country. There are currently no such agreements in place.

The Law on Audit Activities No. 134 of 2002 sets the IPD and CPD requirements for Kyrgyz auditors. The SSRSFM, under the Law On the Authorized State Body in the Field of Supervision and Regulation of the Financial Market No. 249 of 2009, is authorized to administer certification exams, license auditors, and provide CPD for statutory auditors. Provision of CPD services for auditors is delegated to PAOs and other training centers. The SSRSFM annually approves by an order the minimum requirements for CPD programs. PAOs are not involved in establishing IPD and CPD requirements. They do, however, establish CPD requirements for their members and develop and provide training programs.

There is no regulation of the rest of the accounting profession. The relevant legislation is: Law on the Authorized State Body in the Sphere of Supervision and Regulation of the Financial Market No. 249 of 2009, Law on Audit Activity No. 134 of 2002, as well as the Regulation on Maintaining State Registers of Auditors, Audit Organizations, Individual Auditors, Professional Audit Associations in the Kyrgyz Republic No. 94-p 2017. The accounting profession is united on a voluntary basis through membership of a local PAO. The SSRSFM maintains a state register of licensed auditors that are members of a PAO. The following PAOs exist in the Kyrgyz Republic: the UAA, the Public Association Institute for the Development of Accounting and Auditing, ALE Association of the Guild of Auditors of the Kyrgyz Republic, ALE Council for Financial Reporting and Auditing, ALE Association of Auditors, and PU Institute of Professional Accountants and Auditors of Kyrgyzstan.

The CAA was established in 2001 as the result of a merger of four previously existing PAOs: the Chamber of Auditors (created in 1994 and originally designed to be the sole professional body for auditors), the Association of Accountants and Auditors, the Union of Accountants, and the Institute of Professional Accountants. In 2019, before its merger with the UAA, CAA membership comprised 600 individuals as full, honorary, and candidate members. The CAA provided training and CPD programs and developed study manuals for education centers. The CAA was also a Eurasian Council of Certified Accountants and Auditors member.

The UAA was founded in 1999 and provides consulting services and training courses to its members located in three regional branches. Membership is open to individuals holding the CAP or Certified International Professional Accountant (CIPA) designation. The UAA develops annual CPD programs for its members and investigates and disciplines its members. Foreign practitioners who are members of IFAC member organizations can become full members of

the UAA without meeting any attestation requirements. In addition to membership in IFAC, the UAA is a member of the Eurasian Council of Certified Accountants and Auditors.

The CAA merged with the UAA in June 2019. They participate in the Expert Council of the SSRSFM and are consulted periodically on relevant issues facing the profession. Recognizing the need to increase capacity of the accounting profession in the Kyrgyz Republic and building on existing close cooperation (for example their joint auditor CPD course using the advanced training programs of the SSRSFM) the two PAOs merged in June 2019 and are now known as the UAA. UAA have voluntary membership requirements, a similar membership base as the CAA, employed as accounting technicians, junior accountants, preparers of financial statements, chief accountants, and auditors.

The Association Guild of Auditors of the Kyrgyz Republic was established in 2014. Members of the Association are local audit organizations, the number of which is about 50 organizations. Basically, it provides advanced training for its members and other auditors and accountants of the Republic. For several consecutive years, they conducted CPD for auditors according to the advanced training programs of the SSRSFM.

The Board for Financial Reporting was established in 2015. Its members are about 11 local audit organizations. The Board provides advisory services to its members in the field of accounting and auditing.

The Institute of Professional Accountants and Auditors of Kyrgyzstan was established in 2015. Its main activity is providing training and CPD to CAP and CIPA members. The Institute is a member of the Eurasian Council of Certified Accountants and Auditors.

There are several institutions engaged in the regulation of IPD and CPD for professional accountants in the Kyrgyz Republic: The Ministry of Science and Education of the Kyrgyz Republic, universities, and the SSRSFM.

3. HIGHER EDUCATION: GOVERNANCE, HISTORY, DEVELOPMENTS, TRENDS, AND CHALLENGES

GOVERNANCE

The activities of higher educational institutions, regardless of the legal form of ownership and departmental affiliation, are governed by a single law, the Law on Education dated 30 April 2003. According to this law, the education system is based on the following four principles:

- Free access to elementary, secondary, and higher education in public institutions within the limits set by the state educational standards;
- The possibility of receiving education on a commercial basis, including in state educational institutions;
- The humanistic character of education, independence of education from political and religious institutions, and the secular character of education;
- Academic freedom of educational organizations and academic integrity.

The education system in the Kyrgyz Republic follows the model adopted when the country was part of the Soviet Union (refer to Appendix 3). It comprises (a) preschool education; (b) 11 years of general education, including primary (grades 1-4), lower secondary (grades 5-9), and upper secondary education (grades 10-11); (c) primary vocational education and training (PVET); (d) secondary vocational education and training (SVET); and (e) higher education. Under the country's 1993 constitution, primary and lower secondary education is compulsory and free to all children.

The Ministry of Education and Science (MOES) manages all levels of the education system except for PVET, which is under the management of the Agency for Vocational Education of the Ministry of Youth, Labor, and Employment. Some secondary vocational training institutions are under MOES, while others are under other ministries or agencies. Recurring costs of the public education system are funded through national and local budgets as well as by private sources. The MOES is responsible for formulating national education policy and its implementation, setting the standards for each level of formal education, curriculum development and introduction of innovative practices, teacher training, accreditation of higher education institutions, and international cooperation. The MOES also allocates financial resources and monitors quality.

HISTORY

During the Soviet period, the structural framework for Kyrgyzstan's educational system, like that in all Soviet republics, was shaped by centralized state policies in accordance with the country's economic needs and principles believed to define a general socialist education, including the eradication of illiteracy, the provision of vocational instruction in secondary school, providing broader access to educational opportunities, and the incorporation of state ideology and moral education into the curriculum and training processes.⁵ Decisions about governance, curriculum content and organization, student admissions, and so on, were made by the Ministry of Education in Moscow and, until the late 1980s, were similar across the 15 Soviet republics.

Each higher education institution had its own "profile" or portfolio of specialized functions and purposes within the system. Contrary to current practices whereby higher education institutions locate themselves in specific niches within the higher educational system, this profiling was the responsibility of the Soviet state. There was no duplication of programs offered by each institution, although teachers with similar specializations were distributed throughout all regions. The state built Higher Education Institutions (HEIs), each with a specialized, profile-appropriate campus.

In the aftermath of the Kyrgyz Republic achieving its independence, HEIs became partially autonomous and able to implement independent policies in areas such as human resources, student performance evaluation, educational methodology and technology, the identification of scientific research areas, and the management of organizational, financial, and other issues in accordance with their statutes, memoranda, legal, and other regulatory acts. Within these parameters, however, the state remained responsible for many core activities including providing basic funding for higher education according to individuals' abilities and propensities (as determined by testing), setting standards for each level of formal education, approving priorities in curriculum development, training teachers, accrediting higher education institutions, collecting statistics on education, and managing official international cooperation.

During the Soviet era, the population was evenly balanced among Kyrgyzs, Russians, and Uzbeks. Kyrgyz people now constitute nearly 70% of the population, while Russians and Uzbeks constitute about 15% each of the total population. The departure of a significant number of Russian-speaking inhabitants had a significant impact on higher education in the Kyrgyz Republic, which is officially a bilingual country with Kyrgyz, a Turkic-origin language, and Russian defined as the two official languages (as the State and the Official languages).

⁵ Clark, N. 2005, Education Reform in the Former Soviet Union. World Education News and Reviews. <http://www.wes.org/eWENR/PF/05dec/pfeature.html>

DEVELOPMENTS

The new legal, financial, and ideological frameworks for higher education policy created conditions for a rapid diversification and expansion of the system, which grew from 12 HEIs in 1991 to 65 in 2020 (the number fluctuates from year to year as institutions are opened and closed). The 65 HEIs are classified into four categories based on their teaching and research profiles:

- **Academies** are educational institutions that offer training programs and conduct fundamental and applied scientific research (public: 7, private: 7).
- **Universities** are multi-profile institutions which provide a wide range of specialist training at all levels of higher education including academic and in-service training and which conduct fundamental and applied scientific research (public: 19, private: 15).
- **Institutes** may be either independent or units in universities carrying out higher education training for specialists and in-service training programs at all levels (public: 4, private: 10).
- **Specialized HEIs** offer more narrowly defined education and training programs in specific areas, such as the training of highly specialized experts in music or the military (public: 2, private: 1).

The following educational programs are delivered by HEIs in the Kyrgyz Republic:

- Bachelor;
- Masters;
- Specialist programs (specialist) and also, at post-graduate level;
- Aspirantura; and
- Doctorantura (Licentiate and PhD).

The Bachelor degree is defined as an academic degree of basic higher education, which gives entry to a Master's program. The Master's degree is an academic degree which gives entry to Aspirantura and to specific employment in the labor market.

All HEIs are accountable to the MOES for programs which are to be taught according to state standards. They are also accountable for the proper administration of scholarship funds, according to established criteria. Their operation is governed by the Law on Education under which they can legally establish branches, 'transferring to them part of their assets.' Rectors of public HEIs are appointed for five years by the MOES following election by secret ballot at a general meeting of the faculty. Rectors of private HEIs are appointed by the founders according to the institutional charter.

Institutional expansion has been coupled with an increase in the overall number of students enrolling in higher education. Despite economic hardship in post-Soviet Kyrgyzstan, public

demand for higher education grew during the 1990s and has continued to do so to the present day, with nearly 40% of the current age cohort enrolling in higher education of some kind. According to official data, student enrollment in higher education saw an overall increase in enrollments from under 60,000 students in 1990 to over 230,000 in 2010. This growth was facilitated by the growth in the number of HEIs in the country and the low cost of tuition fees (the average tuition fee being 8,000 Kyrgyz soms or USD 200 at the time). In 2008, however, more students began dropping out from universities due to the cost of tuition, and enrollments in vocational institutions (which charge lower fees, offer shorter training periods, and training more directly linked to employment) significantly increased.⁶ Furthermore, tuition fees increased to a minimum cost of 17,000 Kyrgyz soms (USD 360), and it became mandatory for students to submit their results from a new national scholarship test (see below) to enroll in any university.

The quantity and quality of education services started to decline after independence in 1991 due to a lack of resources. The percentage of government expenditure on education dedicated to tertiary education over the years has fallen to very low levels. It peaked at around 19% between 2002 and 2005. Since then, the percentage has steadily fallen to under 4% after 2016. As a comparison, OECD countries dedicate on average over 20% of government expenditure on education to tertiary education. Government expenditure per tertiary student represents under 5% of GDP per capita in the Kyrgyz Republic. This percentage exceeds 25% on average in OECD countries.⁷

Private funding of higher education. With the steep decline in funding to universities over the last 20 years, securing alternative sources of finance became essential. Higher education funding changed in 1995 when HEIs were allowed to levy tuition fees to finance development expenditure, repair and maintenance, and equipment. Reduced state budget allocations had resulted in outdated equipment and library stocks, and deterioration of physical facilities. Tuition fees helped increase teacher salaries, replace old equipment, and improve physical facilities. The move toward private funding has been relatively rapid. All universities interviewed indicated that government funding represented only a very small percentage of their income, if any. Government contributions appear to be mostly in the form of grants or scholarships.

The higher education landscape in the Kyrgyz Republic has also been reshaped by the introduction of a National Scholarship Test, which is administered by a national testing center that is independent from both the MOES and individual HEIs. It was introduced in 2002 in order to create a more transparent system for distributing state scholarships and to replace institutional-based admission practices that had become regarded as problematic in the post-Soviet period. Universities therefore strive to recruit state-funded students with high

⁶ J Huisman et al. (eds.), *25 Years of Transformations of Higher Education Systems in Post-Soviet Countries*, Palgrave Studies in Global Higher Education, https://doi.org/10.1007/978-3-319-52980-6_9

⁷ UNESCO Institute for Statistics (uis.unesco.org) / World Bank Group data (data.worldbankgroup.org)

admission test scores, as the more students they recruit, the more resources they will accumulate for improving facilities, hiring strong academics, and investing in research. However, state tuition grants are minimal and often do not cover the full costs of students' education.

Although 86% of students in the Kyrgyz Republic attend public HEIs, the majority still pay tuition fees as the government provides scholarships for only around 19% of full-time students (NSC⁸ 2017). As the demand for student-financed education has steadily increased, HEIs have sought new revenue streams to attract fee-paying students, with concerns that the emphasis on increasing fee-based revenues sometimes supersedes attention to the academic quality of the courses being taught.

The main language of instruction in HEIs is Russian. The education policy guarantees cultural and linguistic freedom, and the language policy gives students an opportunity to receive their education in their mother tongue. Within general education, classes are conducted in four languages: Kyrgyz, Russian, Uzbek, and Tajik. The main language of instruction in HEIs is Russian. While some universities have dedicated programs in English, there remains a shortage of both teaching materials and instructors who can teach diverse subjects in foreign languages in universities across the sector.

In addition, there are eight inter-governmental universities. Eight universities are inter-governmental and their activities are overseen by Ministries of Education of different states and have degrees recognized by both governments. Some are publicly funded: Kyrgyz-Russian Slavic University (KRSU), Kyrgyz-Uzbek University, and Kyrgyz-Turkish University (Manas). Others are non-public universities: American University in Central Asia (AUCA), Kyrgyz-Russian Academy of Education, Kyrgyz-Kuwait (East) University, Ala-Too International University, and University of Central Asia (Aga Khan). Some programs are offered in English, Russian, or Turkish.

The Government recognizes that “the quality of education is one of the most reliable indicators of the future development of any nation” and that “the economy is the principal driver of sovereignty and national security”.⁹ In the area of higher education, the government priority is on improving the quality assurance system, reducing the gap between labor market needs and higher education curricula, and improving science and innovation, in-service training, and financial reform.

In 2004, the Kyrgyz Government signed a Memorandum of Agreement to integrate its HEIs into the Bologna Process. This was achieved through a Working Group of the President of the Kyrgyz Republic on the Integration of HEIs into the Bologna Process and the National Office of the European Union Tempus-Tacis program. A number of universities – International University of Kyrgyzstan, Bishkek Academy of Finance and Economics, Kyrgyz Economic

⁸ National Statistical Committee of the Kyrgyz Republic

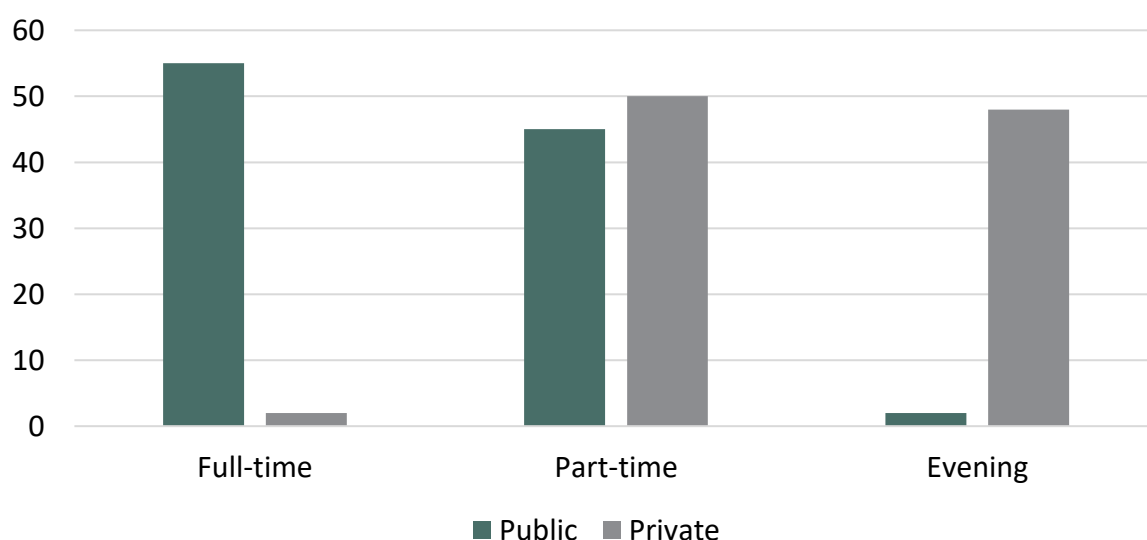
⁹ Government of the Kyrgyz Republic. National Sustainable Development Strategy (2013-2017).

University (KEU), and Kyrgyz National University (KNU) – subsequently adopted projects to implement the requirements of the Bologna Process. Participation in the Bologna Process was denied in 2007, owing to the fact that the Kyrgyz Republic was not party to the European Cultural Convention of the Council of Europe. The Kyrgyz Republic still aspires to join, and the state continues to create reform policies which are informed by the principles of the Bologna Process.

The Bologna agenda has had a significant impact on the structure of academic degree courses in the Kyrgyz higher education system, and on the status of existing and newer degree holders. Today, the Soviet-era two-cycle system, which consists of a specialist diploma degree and an advanced Aspirantura, co-exists with the Bologna three-cycle system, which prepares students at bachelor's, master's, and PhD levels. The status of the PhD degree itself remains ambiguous in the country and at present it is offered by only a few universities, while the Aspirantura award is still widely available.

There are different study options available to students – full-time, part-time using remote learning technology, and part-time (evening classes). The various study formats attract different types of local students and also international students, who often pay more unless they benefit from a bilateral agreement between countries co-sponsoring a university.

Figure 1. Part-time and full-time day and evening-class students¹⁰



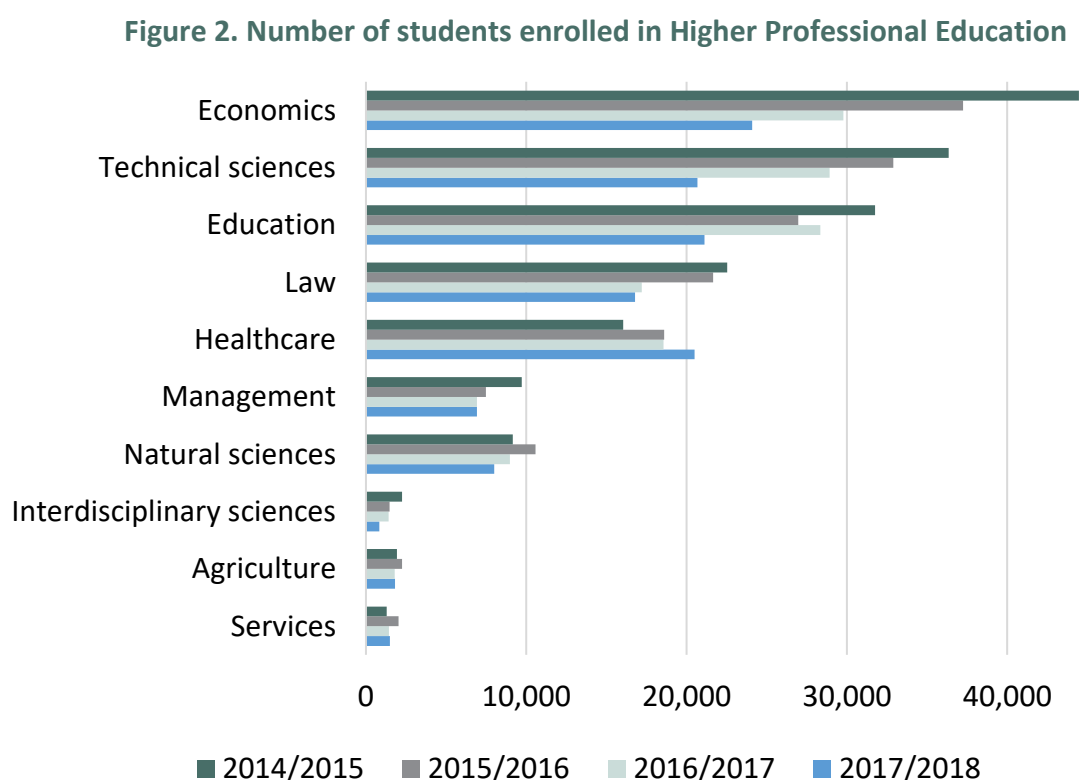
A form of educational commodification has been intensified as universities seek new means of financial survival in the absence of adequate state funding. In contrast to the internally differentiated Soviet system of universities in which each institution served a particular function in relation to the others, many HEIs now offer a range of similar programs with minor

¹⁰ Source: Authors using data from NSC 2014a

modifications. For example, new disciplines which are associated with market economics quickly gained prestige after independence, with economics, management, law, international relations, psychology, and foreign languages becoming oversubscribed as students and their families believed these professional qualifications would be lucrative; at the same time, HEIs have struggled to recruit and retain students for technical or teaching courses despite the allocation of state scholarships in such fields.

This has created a problem of saturation in particular fields of study, in which universities educate more specialists than can be employed in a field. By 2015, the state had already closed 23 university branches because they were deemed to be systemic “duplications”. While the expansion of educational programs after independence was initially a process of diversification, the unfolding of this process with a commercialized and marketized environment created a high degree of homogeneity across the system. There are still more than 50 higher education institutions in the Kyrgyz Republic, in which more than 220,000 students are enrolled. This is one of the highest rates among countries of the Commonwealth of Independent States.¹¹

The breakdown of students enrolled in bachelors’ or masters’ degrees by discipline during the last four years is shown in the Figure 2 below.¹²



¹¹ Ministry of Education and Science of the Kyrgyz Republic (<https://edu.gov.kg/ru/high-education/vysshee-obrazovanie-i-poslevuzovskoe-professionalnoe-obrazovanie/>)

¹² Source: “Education and Science in the Kyrgyz Republic”, National Statistical Committee of the Kyrgyz Republic, 2018, <http://www.stat.kg/media/publicationarchive/316d6e77-b0da-4013-ac6d-14e80e57101f.pdf>

While law, economics, and management remain popular, the number of students studying these disciplines has significantly dropped over the past few years to the benefit of studies in services and health areas.

CHALLENGES

One of the perceived challenges of the higher education system in the Kyrgyz Republic is that it is still developing very much as a domestic system and is isolated from international trends and the evolving needs of employers. Employers have a very small role in higher education at present, especially with regards to curriculum development. Plans and curricula are outdated and have not kept pace with economic development in the country. This gap is especially noticeable in the field of professional education in universities, in professional and vocational training institutes, and in colleges.

There is little continuity between secondary and higher education, schools have reacted slowly to implement required changes to teaching content and methods. Despite some updating of education plans, there has been little change to schools in practice. The contents of courses remain the same and in most schools the management style is still authoritarian and thus a barrier to teachers individually deciding the appropriate course content to help students in their future careers.

The content of higher education in the Kyrgyz Republic is determined by the State Educational Standards. In accordance with these documents, each educational program has a mandatory component (a list of compulsory subjects and study time allocated to them). Mandatory examinations make up roughly 60-70% of the total educational program. The existing state standards have not been updated to take account of modern subjects and teaching methods.

Teaching salaries have been historically low. In 2017, the teaching staff in public HEIs earned approximately USD 155 per month while those working in private HEIs earned USD 207. Many staff in public HEIs supplement their salaries by teaching in private HEIs.

The two existing HEI quality assurance mechanisms – licensing and attestation – are not of great effect as they are not used as monitoring instruments for improvement of quality. There are no appropriate criteria or standards for assessment of HEIs and there is no independent accreditation institution that would systematically control compliance with these standards.

Both staff and material resources are often of low quality. Low standards are used in the recruitment of academic staff. Officially, a master's degree is required for the position of a lecturer; however, in reality people with bachelor's degrees or specialist diplomas are hired to teach students at universities. Teacher training is only for teachers in pre-school and

primary schools, and not for teachers or lecturers in higher education who therefore have limited grounding in recent developments in pedagogy. Educational materials are frequently out-of-date and do not comply with the requirements of contemporary higher education.

There is no adequate link between higher education and research. Efforts have been made to merge scientific and educational institutions, however, these efforts focused on formal aspects and many issues were not dealt with such as the development of scientific skills or ways of involving students in scientific work.

4. ACCOUNTING AND AUDIT EDUCATION OFFERED BY HIGHER EDUCATION INSTITUTIONS

A diagnostic was conducted at a sample of universities which offer undergraduate degree programs with a concentration in accounting and finance between June 2018 and December 2018 and validated in Spring 2020. The following universities completed diagnostic tools and surveys as part of the initiative:

AUCA was established in 1993 to assist with the democratic transition of the Kyrgyz Republic through the development of an academic program committed to “freedom of expression, critical enquiry, and academic honesty”. A preparatory year to assist students in gaining entry is also offered by the University. AUCA partnered with Bard College beginning in 2008 and created a partnership by granting Bard degrees to AUCA graduates in eleven academic disciplines. The AUCA undergraduate program, taught only in English, is based on the tradition of small liberal arts colleges of the United States. AUCA’s School of Entrepreneurship and Business Administration offers a Bachelor’s in Business Administration which includes accounting, audit, and finance courses, and has already achieved eight exemptions in the qualification program of ACCA-UK. AUCA admits only a small cohort of under 100 students into the program each year. AUCA also offers a Master’s degree in Business Administration.

KEU was established in 1954. Although the University is a public institution, it opted to become self-funded in 2013 and no longer receives financial support from the government. In 2017, as a result of a re-organization, the Institute of Finance, Accounting, and Statistics was established. The University offers an undergraduate degree in Economics with a concentration in Accounting, which receives a total of 150-200 enrollments each year on a full-time or distance learning basis.

KNU, founded in 1933, is the “mother” university in the country. Enrolling over 30,000 students in 22 faculties, it is clearly the largest university as well. In 1955, the Economic Faculty was created by government decree. The Faculty is made of 5 different departments and enrolls over 1,500 students. Law and Economics are the most popular faculties and are responsible for 80% of revenue.

Within KNU, the Kyrgyz European Faculty was created within the framework of the project of the Commission of the European Union (Tempus, 1995-1998). The Faculty offers a Program in Economics and Management based on a similar program offered by a French University with which KNU has entered into a cooperation agreement (University of Grenoble, France). Both undergraduate and postgraduate programs are offered, and a combined total of around 200 students are admitted into these programs each year.

Osh State University (OSH), founded in 1951, is a non-profit public higher education institution located in the large town of Osh. Its Faculty of Business and Management was

opened in 1996 as part of a joint project between OSH and the University of Portland. The Faculty is comprised of six specialized departments. In total, around 5,000 students are enrolled with the Faculty.

International Academy of Management, Law, Finance, and Business (MAUFIB). Established in 1998, MAUFIB is a private higher education institution. It offers courses and programs leading to officially recognized higher education degrees in several areas of study. The Accounting, Analysis, and Audit Department was established in 2000, and has become one of the leading departments of the Academy. Only a small contingent of students are admitted to Bachelor's and Master's programs in Accounting, Analysis, and Audit.

KRSU is a state higher education institution founded in 1993. KRSU has 8 faculties covering various areas of study. KRSU graduates receive diplomas from both the Russian Federation and the Kyrgyz Republic. Its Faculty of Economics was established in 1994. The Faculty is comprised of two departments: Economics and Management; each of which has several specializations, including the accounting, analysis, and audit specialization within the Economics Department.

Manas. Established in 1995, Manas is a public higher education institution. Its graduates are granted diplomas officially recognized in both the Kyrgyz Republic and Turkey. Currently Manas has 78 programs, of which 42 (54%) are undergraduate programs. The Faculty of Economics and Management began its educational activities in 1997. It has four departments: Economics, Management, Finance and Banking, and International Relations. The Department of Management offers accounting, audit, and finance courses.

5. ACCOUNTING EDUCATION DIAGNOSTIC TOOLS

During the period from September 2018 to May 2020, universities in the Kyrgyz Republic took part in a diagnostic of bachelor's degree programs, through use of a university syllabus profiling tool developed by the CFRR and completing surveys. Participating universities were:

- AUCA
- KNU, including the Economic Faculty and Kyrgyz-European Faculty
- International Academy of Management, Law, Finance and Business (MAUPFIB)
- OSH
- KEU named after M. Ryskulbekova
- KRSU named after B.N. Yeltsin
- Manas

A table containing information on these programs is included in Appendix 1.

The CFRR profiling tool compares the syllabus content of an individual university against the content of the ACCA syllabus, broken down into the following seven competency areas¹³:

- Accountant in Business;
- Management Accounting;
- Financial Accounting;
- Performance Management;
- Financial Reporting;
- Audit and Assurance; and
- Financial Management.

The ACCA syllabus was selected for convenience and not to promote a specific syllabus. It is easily accessible for mapping the curricula, and should a university wish to gain ACCA accreditation, the tool is useful as it highlights the areas that are deficient in the universities' detailed syllabi for individual examination papers. Target percentage of coverage of the ACCA syllabus is set at 80%, based on the assumption that ACCA provides exemptions if at least 80% of the learning objectives from each respective paper are covered by syllabus content. Even though completion of the profiling tool may indeed assist the universities to achieve ACCA exemptions, the purpose of conducting this evaluation was to assist KAREP in identifying

¹³ Taxation (TX) and Corporate and Business Law (LW) are not covered by this tool mainly because the content of these subjects is specific to each country.

common areas of weakness. The results of the benchmarking study are summarized in Figure 3 below.

Figure 3. Benchmarking of Kyrgyz Universities' bachelor's accounting programs against the ACCA syllabus

Universities /Faculties	#1	#2	#3	#4	#5	#6	#7	#8	Average per area	ACCA Benchmark
Accountant in Business	0%	24%	41%	89%	88%	38%	88%	97%	58%	80%
Management Accounting	55%	48%	64%	71%	57%	66%	100%	90%	69%	80%
Financial Accounting	48%	78%	89%	97%	84%	94%	99%	98%	86%	80%
Performance Management	42%	23%	17%	15%	27%	58%	83%	100%	46%	80%
Financial Reporting	10%	63%	64%	61%	56%	84%	99%	100%	67%	80%
Audit and Assurance	0%	0%	82%	92%	52%	80%	98%	100%	63%	80%
Financial Management	0%	31%	0%	4%	88%	84%	27%	100%	42%	80%
Average per University/ Faculty	22%	38%	51%	61%	65%	72%	85%	98%	61%	80%

Results differ between institutions and programs, but the following common weaknesses were evident.

Performance Management: Most programs achieved a low percentage coverage in this area which includes the following learning topics:

- Cost accounting techniques;
- Decision-making techniques, including make-or-buy decisions, and dealing with risk and uncertainty;
- Performance management information systems and reports.

Financial Management: Most programs achieved a low percentage coverage in this area which includes the following learning topics:

- Corporate strategy and objectives;
- Working capital requirements and management techniques;
- Investment appraisal;
- Sources of finance and their evaluation;
- Business and asset valuation principles;
- Risk management techniques.

Accountant in Business: Half of the programs achieved a low percentage coverage in this area which includes the following learning topics:

- Understanding the purposes and types of businesses and how they interact with key stakeholders and the external environment;
- Understanding business organization structure, functions, and the role of corporate governance;
- Recognizing the function of accountancy and audit in communicating, reporting, and assuring financial information as well as ensuring effective financial controls are in place;
- Principles of authority, leadership, team-building, and personal effectiveness;
- Professional values and ethics.

The issue of ensuring the right competencies and learning outcomes are covered as part of the curriculum are compounded by the fact that the mandated curriculum requires a significant portion of the curriculum to be dedicated to “humanities” topics, as mentioned earlier. These include:

- Kyrgyz language and literature;
- History and geography of the Kyrgyz Republic;
- Physical education;
- Philosophy;
- Cultural studies;
- Psychology;
- Manas studies.

An analysis of the detailed curriculum of the different surveyed institutions further reveals that rather than imparting practical competencies to students, many topics focus on theory, and economics in particular. Some examples of course topics include:

- History and methodology of economics;
- Economic analysis;
- Economic process research methods;
- Monetary system and financial institutions.

Most institutions reported that the percentage of economics course content of their degree program was roughly equivalent to, or exceeded, the combined percentage of business, finance, accounting, and auditing course content.

The percentage of the curriculum dedicated to IFRS and IFRS for SMEs varies across institutions, but the breadth and depth of coverage needs to be improved, in light of the shortage of translated study materials reported by most institutions.

Also, more practical skills need to be imparted to students, including the preparation of complex and comprehensive financial statements.

Topics such as codes of professional conduct, ethics, and emerging issues (new financial technologies, sustainability reporting, etc.) also need to receive greater coverage in most institutions.

6. SURVEY RESULTS

Between September 2018 and June 2019, KAREP surveyed a subset of the universities that had completed the benchmarking tool. Some of the key findings follow.

The results reveal that all the faculties surveyed, or the universities they belong to, have established a **framework to determine the mission and goals** of the university or faculty. Unfortunately, however, university governance arrangements leave very little discretion to the faculties in their day-to-day operations, and few incentives to make significant changes.

- Teacher pay levels (set by the Government, or centrally at the university) are overwhelmingly based on qualifications, teaching hours, and seniority, and are disconnected from any performance evaluation.
- With one exception, the faculties have no control over their expenditure budgets.
- With one exception, the faculties reported having little incentive or ability to recruit more students into their programs. Three universities reported having some control over student recruitment and some incentives to recruit more students.

In terms of **linkages to commerce and industry**, the results of the survey were positive overall based on the following findings:

- Faculty lecturers are recruited on the basis of relevant and significant professional experience, not purely on the basis of their qualifications.
- All faculties invite guest lecturers from commerce and industry on a regular basis.
- A structured student internship (including writing of a thesis and formal mentoring arrangements) forms an integral part of the graduation requirements.
- Some universities (albeit a minority) offer evening courses and workshops to non-students.
- More than half of the faculties surveyed collect student feedback forms systematically as part of teacher evaluation.

A significant amount of work remains to be done to achieve **recognition of the degree programs**, both nationally and internationally:

- Local audit certification is not currently designed to accommodate partial exemptions based on undergraduate studies.
- Only one institution has reported an active connection with the CAP-CIPA Program, whereby graduating students are exempted from CAP-CIPA examinations.
- Only one institution reported achieving ACCA exemptions/credits for graduating students.

- Only one institution reports having fully implemented the European Qualifications Framework, and only half the European Credit Transfer System (ECTS).
- EQUIS accreditation is either being actively pursued, or is an intended goal of most institutions, but only one institution has achieved these accreditations.
- The majority of institutions report enrolling foreign students, and some have established formal exchange agreements with foreign universities, but these students and foreign universities are mostly from neighboring countries and the former Soviet Union.

A positive measure reported by the survey is growing student **interest in accounting and finance courses**, which have received increased enrollments during the last few years. The discipline is dominated by female students, which is not unusual, but may be indicative of the profession being perceived as constituted of accounting technicians, disconnected from the broader business and financial management careers which accounting qualifications should be designed to provide access to.

Only one institution has fully implemented a **competency-based approach** incorporating intended learning outcomes with different levels of competence.

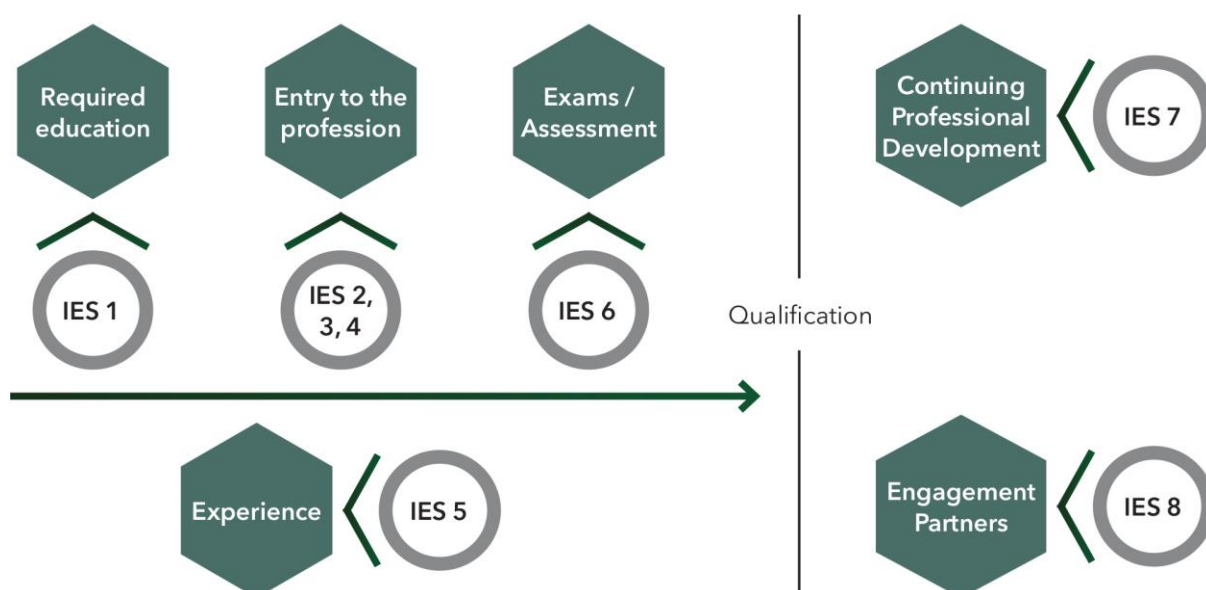
The **study environment** appears to be adequate with mostly smaller class sizes (under 40 students) being the norm, the ability for students to transfer to different universities while retaining earned credits, access to physical libraries, online resources, and computer laboratories (although the need to upgrade the resources available is widely recognized).

In terms of **research**, more than half of the faculties surveyed offer a PhD program, and all institutions are promoting research activities, mostly by providing support and incentives to their teaching staff. The majority of institutions surveyed are also involved in conferences and workshops.

7. KYRGYZ PROFESSIONAL ACCOUNTANCY QUALIFICATIONS

Professional accountancy qualifications are not the area of focus of this report, however the public interest is best served when a high level of integration is achieved between university programs and professional qualifications. The International Accounting Education Standards Board (IAESB) has issued IESs which set the benchmarks that are required to be followed by member bodies of IFAC. Regardless of whether an organization is an IFAC member, the IESs provide a benchmark of generally-accepted good practices in the education and training of professional accountants (and auditors). An overview of areas covered by the IESs is shown in the Figure 4 below.

Figure 4. Areas covered by IESs



As indicated throughout this report, there are several issues to be addressed in the Kyrgyz Republic in order to achieve greater convergence with IESs, as well as with international best practices. The opening up of the Kyrgyz economy to auditors qualified in other Eurasian countries represents a significant risk to the local audit profession and provides an incentive to enhance the qualification requirements of professional accountants and auditors.

Some of the key weaknesses in the current organization of the qualification and licensing of accountants and auditors in the Kyrgyz Republic can be summarized as follows:

- Only the services of auditors are regulated (by the SSRSFM). There is no formal licensing or qualification required to offer public accounting services and no local accounting

qualification which employers can rely on as evidence of achievement of professional competence in the area of accounting and finance.

- The Russian language CAP-CIPA¹⁴ program is available and represents a substitute to a national accounting qualification. However, it is not competency based, nor fully compliant with IESs, and as a result has not achieved the international recognition it would need to gain legitimacy with a broad range of stakeholders.
- There are several PAOs in the Kyrgyz Republic, but they currently do not have the authority or resources to run a professional qualification scheme, and have instead focused on providing CPD, a function delegated by SSRSFM.
- The auditor qualification certificate issued by SSRSFM is also not compliant with IESs or good practices: It relies on a number of entry requirements including requiring a degree in economics, but the work experience requirement does not include specified audit and accounting work experience. The examinations are not based on competencies and are assessed by multiple choice questions. Finally, the four- examination structure does not allow for sufficient scope to assess individuals and their capacity to become competent auditors.

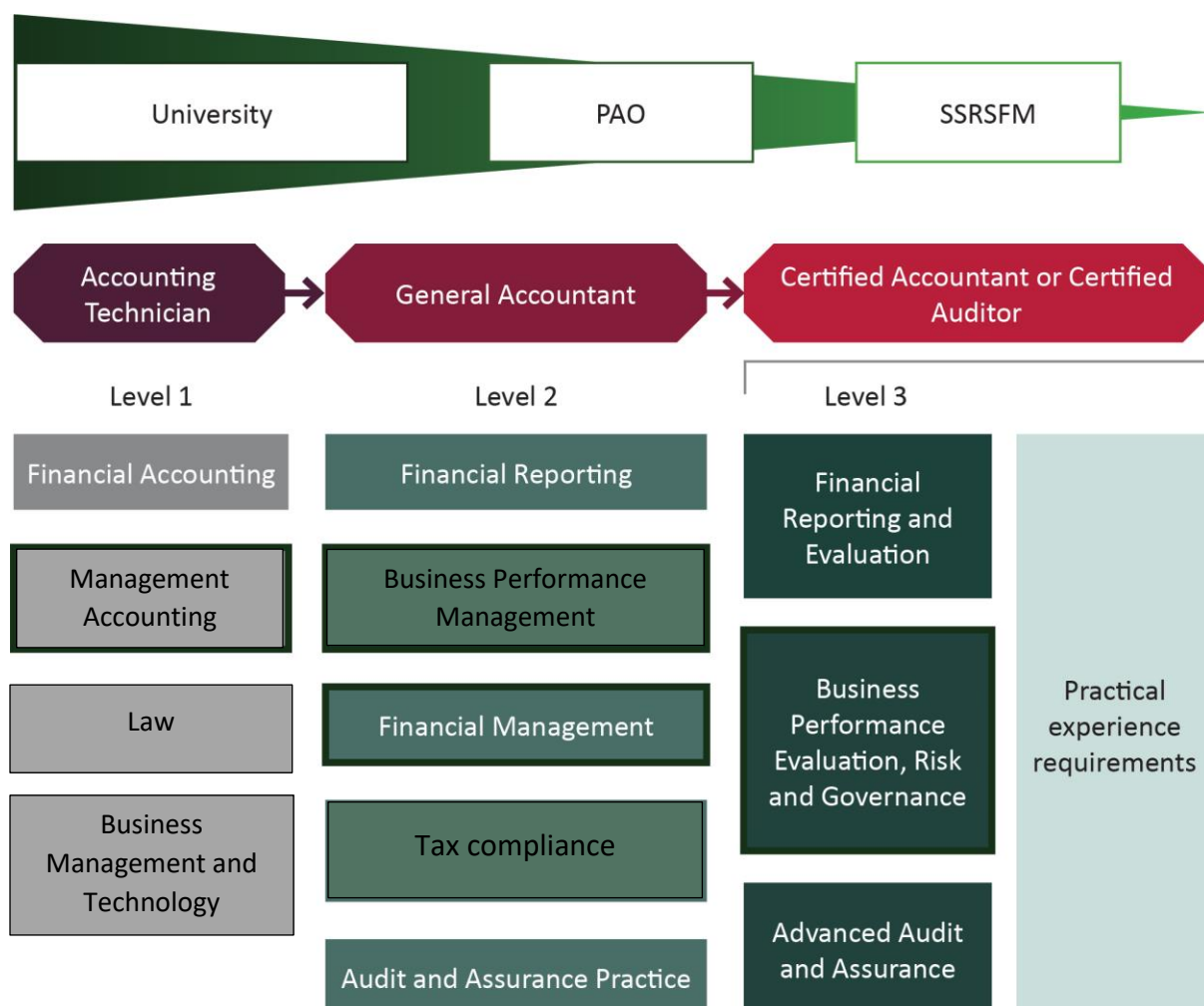
The IFAC/ICAEW/DFID project is working on establishing a three-level, competency-based, Russian-language professional qualification for accountants and auditors as illustrated in Figure 5 below. This project is part of a broader program financed by the UK Government (DFID) to develop the accounting profession in the Kyrgyz Republic. More complete details about the program are included in Appendix 4. An overview of the qualification developed under the IFAC/ICAEW/DFID project is shown in Figure 5¹⁵. In addition to developing a comprehensive syllabus, the IFAC/ICAEW/DFID project team will produce Russian-language training materials, sample examinations, and provide training on examination development techniques, and procedures for accreditation of educational curricula of universities and educational programs of professional associations.

The integrated 3-level structure of audit certification, consisting of 12 exams, will involve the conduct of four qualification examinations by the State Financial Market Supervision Authority only at the advanced 3rd level. Completion of the five basic (level 1) exams and intermediate (level 2) exams is expected to be achieved through completion of courses and programs by applicants with universities and/or PAOs and examination centers, subject to their accreditation by the State Financial Market Supervision Authority.

¹⁴ CAP/CIPA is a 2-level qualification developed by the United States Agency for International Development in the 1990s. It has not been updated, and the governance arrangements for the administration of the qualification have been a concern for several years.

¹⁵ The courses highlighted in bold are those which are not included in the current auditor examinations required to obtain an audit license. Those which are underlined are based on local laws and regulations.

Figure 5. A qualification framework for Accountants and Auditors in the Kyrgyz Republic



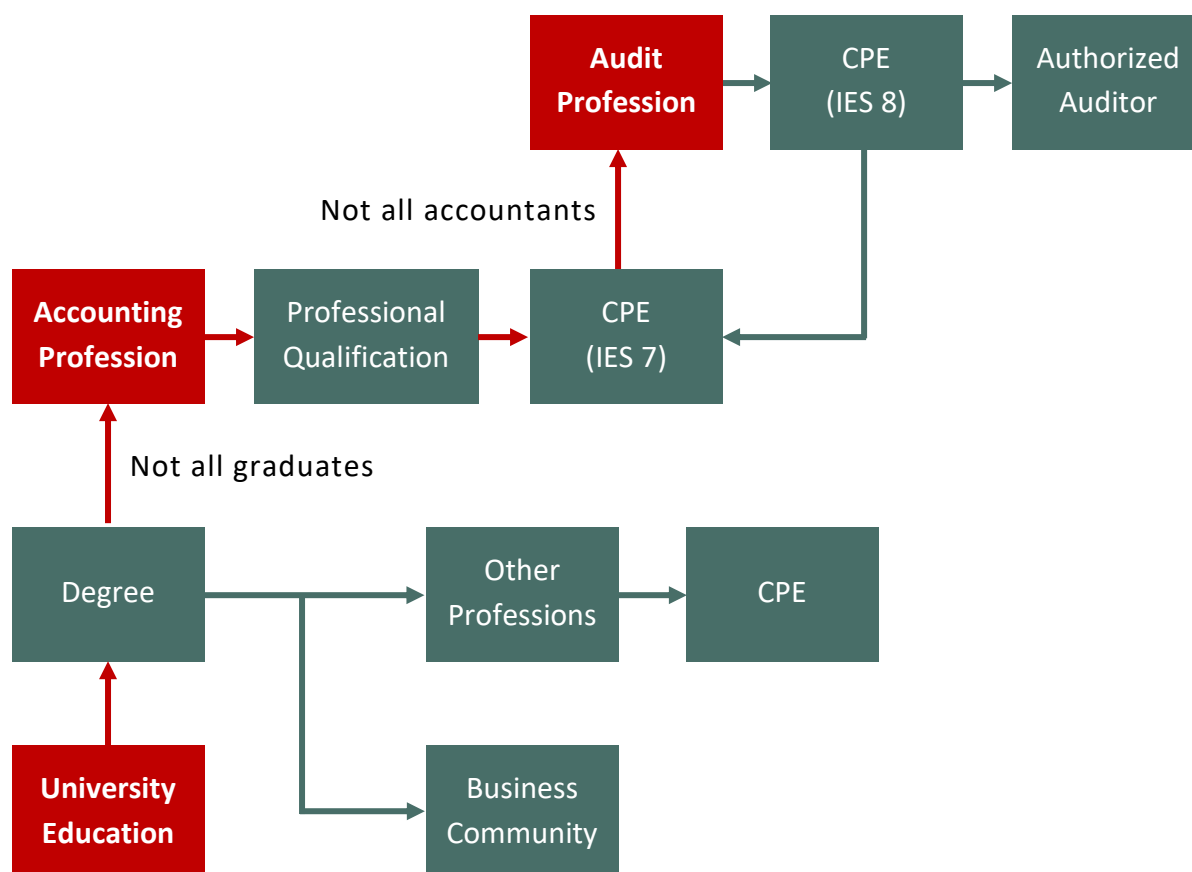
The new structure of auditors' qualification exams incorporates the accounting qualifications for a local PAO, the UAA. The UAA qualification is expected to be launched in 2021 and is based on the first two levels of the qualification framework. Applicants who have successfully completed the UAA qualification will be allowed to enroll in the 3rd highest level ("Certified Auditor") organized by SSRSFM, subject to the accreditation of the UAA Program.

Exams of the third level must be passed at the State Financial Market Supervision Authority. Persons with a degree in which falls under the "economics" stream of studies are admitted to these exams. The State Financial Market Supervision Authority intends to recognize international professional qualifications in the field of accounting and auditing (the process will be described by a relevant bylaw) and holders of the recognized professional qualifications will be required to pass only one exam from the 3rd level, covering advanced taxation and legislation issues.

The qualification model will be integrated and open, thereby contributing to improving the quality of financial reporting and the recognition and confidence in accountants and

auditors in the country and serving the broader public interest. The model of national accounting qualifications will be accessible to interested stakeholders. It will be used by the state regulator, not only for the licensing of auditors but also for the future development of a professional qualification system for chief accountants of public interest entities. The curriculum and educational resources will also be available to local PAOs to develop their professional qualifications, as well as relevant training and examination centers and universities.

Figure 6. The connection between university education and professional accountancy qualifications, and linkage with IESs



The audit certification and accounting qualifications were developed with reference to several international accounting qualifications (including those of ACCA and ICAEW) to support the international recognition of the Kyrgyz qualifications, as well as to maximize opportunities to achieve exemptions for students and professionals aiming to complete an internationally recognized qualification.

Different rules may apply to individuals who hold an internationally recognized professional accountancy qualification. If an individual wishes to become a certified auditor and holds an international qualification that is recognized by the State Financial Market Supervision

Authority in the relevant regulatory legal act, they can claim exemption from the third-level exams (according to the procedure outlined in the legislation). They must, however, pass the additional “Taxation and the Law in the Kyrgyz Republic” examination.

The qualifications are being designed to fully comply with IESs and secure international recognition.

- **Entry requirements.** IES 1 states that *“An IFAC member body may prescribe specific criteria used to determine that individuals meet the entry requirements to a professional accounting education program. These may include qualifications, courses, entry tests, or experience”*. It is anticipated that a university degree, possibly with a concentration in accounting or business, will form part of the entry requirements. It is hoped that the first level of the qualification can be taught at universities, and that exemptions will be granted for level 1 courses, based on an evaluation of the degree programs.
- **Technical competence, professional skills, values, ethics, and attitudes.** IES 2, IES 3, and IES 4 will be complied with. They provide respectively the following:
 - The competence areas and learning outcomes that describe the **technical competence** required of aspiring professional accountants by the end of IPD (IES 2);
 - The competence areas and learning outcomes that describe the **professional skills** required of aspiring professional accountants by the end of IPD (IES 3);
 - The competence areas and learning outcomes that describe the **professional values, ethics, and attitudes** to be achieved during IPD (IES 4).
- **Practical experience.** IES 5 states that member bodies *“shall require that aspiring professional accountants complete practical experience by the end of IPD”*. The standard also contains some guidance on the role of the different stakeholders involved as well as the available options with respect to the measurement of CPD activities. The new program will include a framework of competencies to be demonstrated prior to the award of the professional qualifications.
- **Assessment of professional competence.** IES 6 states that *“IFAC member bodies shall formally assess whether aspiring professional accountants have achieved an appropriate level of professional competence by the end of IPD, drawing on the outcomes of a range of assessment activities that are undertaken during IPD”*. The standard also lays out some principles which should be observed in developing assessments. These principles include: (a) validity of the assessment, (b) a high level of equity, (c) the collection of verifiable evidence. This is one of the areas which needs significant attention and will be addressed through the implementation of competency-based examinations.
- **Continuing professional development.** IES 7 prescribes the CPD required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession. PAOs in the Kyrgyz Republic have a tradition of

being active in this area, but a framework is required to ensure CPD offerings are attractive to members and impart relevant competencies.

- **Professional competence for engagement partners responsible for audits of financial statements.** In the Kyrgyz Republic, as in many jurisdictions, legislation sets the requirements as to who may perform the role of an engagement partner, which involves passing a licensing examination. IFAC IES 8 lists the learning outcomes which can support the acquisition of the competence which engagement partners should be required to demonstrate. The new qualification program will ensure only competent auditors can be licensed in future.

8. LINKAGES BETWEEN THE IFAC/ICAEW/DFID PROGRAM AND ASSISTANCE TO UNIVERSITIES UNDER KAREP

The parallel implementation of projects led by the World Bank and IFAC/ICAEW/DFID provides a unique opportunity to achieve synergies and improved development outcomes. KAREP aims to develop a sound institutional framework for corporate financial reporting, with one component dedicated to improving accounting education delivered by universities and PAOs. Synergies between the KAREP and IFAC/ICAEW/DFID projects avoid wasteful duplication of efforts.

Harmonization of university curricula and professional programs for accountants and auditors will lead to the accreditation of individual disciplines taught at university, training center or by professional organizations. The aim is for taught course content and examination procedures to meet the curriculum accreditation requirements for PAO's certification of accountants and the state regulatory body's certification of auditors.

Limited resources of the profession and a small pool of accounting and business educators is a further incentive for achieving synergies between the projects. With a population of six million and an economy dominated by the primary sector, the accounting profession is relatively small and is concentrated in Bishkek. Many of these individuals are likely to be impacted, if not directly involved, in both projects and will benefit from the alignment and integration of the two projects whenever possible.

There are fundamental technical linkages between the KAREP objectives for university education and the professional qualification being developed by the IFAC/ICAEW/DFID project:

- **Both projects aim towards education delivered by university degrees and PAOs being designed as a seamless continuum.** The framework for the professional qualification being developed under the IFAC/ICAEW/DFID project envisions that the first level of the professional qualification will be taught by universities. In order to support this goal, the educational materials developed under the program are expected to be shared with the Ministry of Education and with interested universities. It is expected that accounting education reform will make it possible to obtain at least the first level skills and competencies of audit certification during undergraduate studies. This would entitle graduates from recognized accounting programs to exemptions from the first level exams of the accounting/audit qualifications.
- **Both projects are addressing the systemic weaknesses identified in the university benchmarking study.** Subject areas identified by the university benchmarking study as

being consistently inadequately taught across the university programs surveyed included management accounting, financial management, performance management, and financial reporting. There is a high level of overlap between these topics and those which the IFAC/ICAEW/DFID project identified as being novel to the auditor licensing examination topics. The “new” courses introduced at the first two levels are: costing (level 1); management accounting, risk, and control (level 2); and financial management (level 2).

- **The projects can ensure that competencies and other requirements needed to enter the accounting profession are jointly mapped by universities and PAOs.** A university degree with a concentration in accounting or business should be able to be recognized as corresponding to the first and the second levels of the professional qualification being developed. As such, universities and PAOs should work together on developing competency maps to avoid duplication of effort and ensure university qualifications provide a sound foundation to professional studies.
- **Both projects will rely on many of the same individuals for teaching and assessments.** PAOs and licensing bodies involved with teaching and conducting examinations as required by professional programs and licensing requirements do not have a full complement of technical staff to implement and maintain these activities. Instead, they usually rely on professionals and university professors to support these activities.
- **Both projects will encourage collaboration between universities and PAOs in the provision of CPD.** While CPD is the responsibility of PAOs, most work collaboratively with universities to develop, update, and deliver their CPD Programs.

9. ASSISTANCE PROVIDED TO UNIVERSITIES UNDER KAREP 2018-2019

The overall goal of KAREP in the area of education is to provide CBAETC to young professionals who complete a university degree and a professional accounting or auditing qualification. Competence is the ability to execute, in the real world, relevant tasks to a specified level of proficiency. Knowledge and understanding alone do not result in competence. Competence requires the effective application of relevant skills and particular attributes, which is usually only possible after undertaking specific practical experience. The World Bank is working with local stakeholders to address the following areas identified for reform.

Updating the official curriculum for undergraduate and master's degree programs in business, finance, and accounting in order to achieve greater alignment with IESs and good practices. Meetings between various stakeholders, including SSRSFM, the Ministry of Education, and The World Bank have been ongoing. A detailed write-up on the challenges and options to implement the required changes is included in Appendix 6.

Updating teaching methods and tools at universities. Competency-based education, which will be a centerpiece of the new professional qualification, requires that the traditional teaching methods be replaced with student-centric modes of learning, including research, case studies, group activities, etc. This requires pedagogical skills to equip the university professors to develop and implement new teaching methods and course materials. These skills will also prepare them to teach principles-based standards and the competencies required to exercise the professional judgments required by international accounting and auditing standards. A series of workshops will be organized to support the acquisition of these new skills.

Updating assessment methods to support the move to competency-based education. New methods of teaching need to be aligned to new assessment methods. The ability to complete complex tasks, exercise judgment, and identify issues spanning different topics including finance, taxation, audit, and ethics needs to be demonstrated by aspiring professionals. Training for university professors should include topics such as development of examination blueprints, testing competencies through examinations, developing and marking case studies, developing effective multiple-choice questions, providing feedback to students, examination security, etc. This area will be addressed through workshops organized under the project.

Embedding practical experience requirements in both university and professional qualifications. A practical experience requirement is already in place at all universities. Ensuring this requirement leads to the acquisition of relevant competencies which form part

of the competency framework for accountants and auditor is one of the challenges the program will address.

Ensuring CPD is a fundamental requirement for professional accountants and auditors.

Within PAOs, this translates into developing and implementing ongoing training courses for existing members which are relevant to current professional practice, including emerging issues. For universities, it is equally important to prepare future professionals for a career of lifelong learning, and to ensure current and emerging issues are addressed as part of their teaching.

Developing recognition of university programs by the profession to help ensure the sustainability of the reforms and avoid duplication of effort and waste of resources.

Universities should seek opportunities to consult and work with the PAOs involved with the professional qualification developed by ICAEW/IFAC/DFID. This will help ensure university curricula are appropriate for the needs of the profession and can be recognized as contributing towards professional qualification. It may also provide opportunities for greater integration between academia and the profession, with PAO members potentially offering their expertise and experience as guest teachers and providing work experience opportunities to students. KAREP will support ongoing dialogue and collaboration between universities and PAOs.

Under the Bank-executed component of KAREP, five workshops were organized in 2018 and 2019 to support the adoption of competency-based accounting education by universities and PAOs. A complete list of these workshops is included in Appendix 3. The workshops focused on a few key points:

- Developing awareness of the need to reform accounting education and the KAREP goals.
- Developing awareness of the IFAC-ICAEW/DFID project and its synergy with KAREP. Reinforcing the links between reform of university accounting education and the new or updated programs to be offered by PAOs and regulators in particular.
- Developing awareness of other internationally recognized accounting qualification programs including ACCA and the Chartered Institute of Management Accountants (CIMA).
- Fostering discussion between local stakeholders in order to build their interest and ownership over the reform process. A local working group was established and produced its own roadmap for reforms.
- Disseminating international practices and international standards.
- Sharing and discussing the results of the benchmarking study and survey conducted with local universities.
- Disseminating accounting education resources including:
 - The Russian version of the IESs published by the IAESB.

- The Russian version of the Common Core Curriculum produced by and for Universities under the CFRR STAREP Program.
- The Russian version of the Competency-Based Accounting Education, Training and Certification Guide, published by the CFRR under the World Bank's ***International Development in Practice*** series.
- The Russian version of the benchmarking tool developed by the CFRR to facilitate an evaluation of accounting education at local Universities.
- The CFRR CPD Implementation Guide for PAOs.
- The draft Russian version of the CFRR Competency-Based Accounting Education and Assessment Materials Guide.

10. PRELIMINARY CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITIES

Accounting education in the Kyrgyz Republic needs to be significantly overhauled to (a) become more relevant to the current market needs of employers and (b) provide young graduates and professionals with career development opportunities commensurate with their ambitions. The overarching purpose of implementing CBAETC is to increase and maintain the competence of professional accountants at both the point of certification and throughout their careers, to serve the legitimate objectives of their employers and clients while always protecting the public interest.

In an accounting context, professional competence is the ability to demonstrate the necessary technical and professional skills, values, ethics, and attitudes at sufficient levels of proficiency to fulfill the role of a professional accountant in a manner that meets the needs and expectations of employers, clients, peers, and the public. Technical knowledge is necessary, but not sufficient, to the accountant's role – professional accountants bring value to society not just by knowing how to account for transactions or determine tax compliance, but more importantly through exercising professional judgment by, for example:

- Helping to evaluate risk;
- Monitoring and ensuring quality and transparency of financial reporting;
- Providing leadership in ethical decision-making;
- Evaluating complex transactions and emerging issues to ensure financial reporting remains relevant and useful for users;
- Interpreting and applying relevant standards and regulation;
- Approaching information with a critical and questioning mindset;
- Participating in strategic planning.

In order for this vision to be realized, the following tangible outcomes and outputs are required:

- **A shared vision.** Implementing CBAETC requires that the organizations, especially universities, PAOs, and other stakeholders involved, first develop and clearly articulate their support for the required reforms. Since the inception of KAREP, several workshops and roundtables have been held on the topic of reforming accounting education. **These events have confirmed that there is broad support for the goal of implementing competency-based accounting education in the Kyrgyz Republic.**
- **A Competency Framework.** The underpinning of the entire CBAETC approach is a current, relevant, and validated competency framework that clearly identifies and describes the

requisite professional competencies and specifies proficiency levels and knowledge topics for each competence area that must be demonstrated by a candidate in order to be certified as a professional accountant. **In cooperation with the World Bank, the IFAC/ICAEW/DFID project team have developed broad acceptance of the proposed professional qualification scheme outlined in section 7.**

- **Supporting Competency Maps.** Detailed competency maps document the links between the competency framework and the more comprehensive formal education and practical experience programs that are designed to give effect to the vision, that is to develop the competence of aspiring professional accountants. More detailed competency maps can also help ensure that:
 - The knowledge, skills, and attributes developed in initial courses of formal education scaffold efficiently and effectively to subsequent more advanced courses and the practical experience component; and
 - The formal education component and the practical experience component synchronize appropriately.

The IFAC/ICAEW/DFID professional qualification scheme has outlined the role universities and PAOs can play in the first two levels of training and broad support for this shared responsibility model has been achieved.

- **Competency-based education and assessment tools.** For IPD, CBAETC results in producing and continually updating a comprehensive set of education and assessment materials that are appropriate for developing and evaluating the required competence at the appropriate level of proficiency. These materials include, for example, collaborative classroom activities, hands-on simulations, capstone, and multi-disciplinary case study-based examinations. Such activities and assessments allow aspiring professional accountants to develop and demonstrate the application of technical knowledge using high-order critical thinking skills and to make appropriate judgments in complex simulations involving real-world facts and circumstances.

CBAETC for CPD is designed to maintain, enhance, and extend the competence of a professional accountant. This includes working towards a specialty, such as auditing, management accounting, or finance. The main outcomes are the same as those for IPD, but the requisite competencies, proficiency levels, and knowledge topics are commensurate with the higher expectations associated with a specialty domain.

The IFAC/ICAEW/DFID project will deliver the training materials, resources, and tools the regulator and PAOs will require to run the professional qualification program. The World Bank can support these activities in particular by making available the tools and resources developed through KAREP.

- **Enhanced operational capacity.** A full implementation of CBAETC results in:

- Educators who are skilled in applying appropriate teaching methods using teaching materials that are designed to progressively foster competence;
- Practical experience supervisors who are responsible for overseeing practical workplace experience to defined proficiency levels; and
- Administrators capable of developing and administering policies and programs to effectively support the development and maintenance of professional competence in students, candidates, and members.

The IFAC/ICAEW/DFID project will deliver the workshops the regulator and PAOs will require to run the professional qualification program. The World Bank can also support these activities and share relevant resources.

Activities undertaken during the remainder of KAREP should continue to support the reform of accounting education in a number of areas, including:

- Support regulators and PAOs in their establishment of a professional qualification for accountants and auditors under the IFAC/ICAEW/DFID project.
- Encourage the reform of the official undergraduate accounting and audit curriculum taught at university.
- Support universities to implement competency-based accounting education and to achieve exemptions in the professional qualification scheme established under the IFAC/ICAEW/DFID project.
- Support PAOs implement reforms to their CPD programs to ensure convergence with good practices.

These activities have been mapped to IESs and resources developed by the CFRR in Appendix 5.

APPENDIX 1. STATISTICS ON ACCOUNTING DEGREE PROGRAMS IN THE KYRGYZ REPUBLIC 2019/2020

Institution Name	Faculty	Undergraduate		Postgraduate	
		Program Name	Annual Admissions	Program Name	Annual Admissions
American University of Central Asia, School of Entrepreneurship and Business Administration (AUCA)	School of Entrepreneurship and Business Administration	Bachelor in Business Administration (BBA)	80	MBA	30
Kyrgyz National University named after Jusup Balasagyn (KNU)	Faculty of Economics, Accounting, Analysis and Audit	Bachelor	220	Master	250
Kyrgyz National University named after Jusup Balasagyn (KNU)	Kyrgyz-European Faculty	Bachelor of Economics and Management	100	Master of Economics and Management	9
International Academy of Management, Law, Finance and Business (MAUPFIB)		Bachelor of Accounting, Analysis and Audit	50	Master of Accounting, Analysis and Audit	15
Osh State University (OSH)	Faculty of Economics	Bachelor's Degree Program	360 (out of which 180 accounting and audit students)	N/A	N/A

Institution Name	Faculty	Undergraduate		Postgraduate	
		Program Name	Annual Admissions	Program Name	Annual Admissions
Kyrgyz University of Economics named after M. Ryskulbekova (KEU)	Institute of Finance	Bachelor's degree in Accounting, Analysis, and Audit	110	Master's in Accounting, Analysis, and Audit	17
Kyrgyz-Russian Slavic university	Economics Faculty	Bachelor of Accounting, Analysis and Audit	60	Master of Accounting, Analysis and Audit	21
Manas Kyrgyz-Turkish University	Economics and Management	Bachelor of Management	36	N/A	N/A

APPENDIX 2. STRUCTURE OF THE EDUCATION SYSTEM IN THE KYRGYZ REPUBLIC

Years					Age
8	Postgraduate education <i>(Postgraduate courses, doctorate, etc)</i>				24
7					23
6	Complete Higher Education				22
5	Master degree	Speciality	Higher education	Additional education	21
4	Basic Higher Education		Professional Education		20
3	Bachelor degree				19
2		Incomplete Higher education			18
1	Secondary		Professional-Technical Education		17
11	Professional Education	3 ^d stage Complete Secondary Education			16
10					15
9	2 nd stage				14
8	Basic Secondary education			13	
7				12	
6	School Education			11	
5				10	
4	1 st stage			9	
3	Primary education			8	
2				7	
1				6	
0	Preschool education			5	

APPENDIX 3. WORKSHOPS HELD UNDER THE KAREP PROGRAM (BANK-EXECUTED COMPONENT)

Date	Topics	Partner
15 March 2018	<p>Presentation on the role of PAOs and the different models of certification of auditors.</p> <p>Presentation of practical tools for diagnostic and reform of accounting education, including the benchmarking tool.</p> <p>Roundtable discussions on the roles and challenges of PAOs and universities.</p> <p>Resources shared:</p> <ul style="list-style-type: none"> • CFRR benchmarking tool 	IFAC, ICAEW, DFID
18 October 2018	<p>Competency based accounting education.</p> <p>Overview of the education components of KAREP and the IFAC/ICAEW/DFID project implemented by ICAEW:</p> <ul style="list-style-type: none"> • cooperation and coordination, • specific components, • examples, and • expected participation of SSRSFM, Ministry of Education, methodological committees and other stakeholders <p>Update on the Kyrgyz Accounting Education Working Group.</p> <p>The importance of university programs to competency-based accounting education, and the need for reform.</p> <p>Roundtable discussion on linkages with legislation reform.</p> <p>Resources shared:</p> <ul style="list-style-type: none"> • IES – Russian version translated by the CFRR 	IFAC, ICAEW, DFID
28-29 November 2019*	<p>Implementing competency-based accounting education and training: strategies and tools:</p> <ul style="list-style-type: none"> • Introduce and discuss the Competency-based Accounting Education and Training Guide developed under the STAREP Program. • Introduce and discuss other resources and ideas for implementing competency-based education at the university and professional levels. 	IFAC Vienna University of Economics & Business

Date	Topics	Partner
	<ul style="list-style-type: none"> Introduce and discuss CPD for professional accountants and auditors. <p>Present the leading public sector and corporate sector education programs in Austria.</p> <p>Resources shared:</p> <ul style="list-style-type: none"> Competency Based Accounting Education, Training, and Certification Guide (CFRR) 	
20 March 2019	<p>The importance of accounting education and the need for reform in the Kyrgyz Republic:</p> <ul style="list-style-type: none"> Presentation of the results of the benchmarking study <p>Reforms of accounting and audit professional qualifications:</p> <ul style="list-style-type: none"> IFAC/ICAEW/DFID proposals Feedback, survey, Q&A <p>Resources shared:</p> <ul style="list-style-type: none"> Russian language “common core” curriculum developed by CFRR IFAC/ICAEW/DFID proposal and survey questionnaire 	IFAC, ICAEW, DFID
22 May 2019	<p>Competency based education concepts and practices:</p> <ul style="list-style-type: none"> Designing learning objectives, Developing courses <p>ACCA Program:</p> <ul style="list-style-type: none"> Presentation of the program Accreditation policies and procedures <p>Resources shared:</p> <ul style="list-style-type: none"> Extracts of the upcoming Competency Based Accounting Education Resource Guide (CFRR) 	ACCA
16-17 September 2019	<p>Competency based education concepts and practices:</p> <ul style="list-style-type: none"> Including information and communications technology in programs. Examinations: Formative and summative assessments, multiple choice questions, short answer questions. <p>CIMA Program:</p> <ul style="list-style-type: none"> Presentation of the program 	CIMA

Date	Topics	Partner
	<ul style="list-style-type: none"> • Accreditation and other forms of collaboration <p>IFRS Standards:</p> <ul style="list-style-type: none"> • Agriculture and leases • Business combinations, consolidations, and intangible assets <p>Resources shared:</p> <ul style="list-style-type: none"> • CIMA syllabus 	
11 June 2020*	<p>Improving competencies for accountants: leveraging the ACCA partnership program to improve curricula, teaching, and assessment methods:</p> <ul style="list-style-type: none"> • Review of the workshops held and resources produced under the STAREP Program. • Gain a deeper understanding of the ACCA qualification program and its partnership with universities. • Learn about strategies to align the curriculum, teaching, and assessment methods of their respective institutions with those of ACCA. <p>Resources shared:</p> <ul style="list-style-type: none"> • Competency Based Accounting Education, Training, and Certification Guide (CFRR) – Russian Version • CPD Implementation Guide for PAOs (CFRR) • Competency Based Accounting Education Resource Guide (CFRR) (full Russian language draft version) • ACCA sample training and examination materials 	ACCA

** Representatives of universities and PAOs in the Kyrgyz Republic were invited to attend this event organized under the STAREP Program*

APPENDIX 4. IFAC/ICAEW/DFID PROJECT FOR DEVELOPING THE ACCOUNTING PROFESSION IN THE KYRGYZ REPUBLIC

The IFAC/ICAEW/DFID Project for Developing the Accounting Profession in the Kyrgyz Republic plans to achieve harmonization of the audit certification system, accounting qualifications, and higher accounting education, namely:

1. Modernization of the curriculum of universities that carry out training within the “Accounting, analysis, and audit” government endorsed program of studies in accordance with: international best practice, in particular with IFAC IES; curricula of universally recognized international certifications, for example, ACCA; and the developed national accounting qualifications model of the country and the structure of audit certification;
2. Introduction of amendments to the laws of the Kyrgyz Republic “On Accounting” and “On Auditing Activities”, as well as to relevant by-laws and normative legal acts concerning:
 - Incorporation of IESs into the country's legislation to bring audit certification, accounting qualifications, and higher accounting education in the Kyrgyz Republic into line with them (possibly as a separate regulatory legal act for mandatory implementation by the State Financial Market Supervision Authority, the Ministry of Education and other related parties);
 - Introduction into the legislation of a model of national accounting qualification (to be mandatory for chief accountants of public interest entities), which provides for the recognition / exemption from certain examinations of graduates of universities that are accredited by the State Financial Market Supervision Authority;
 - Procedures for the recognition / accreditation / exemption from certain examinations of international (recognized by the State Financial Market Supervision Authority) and local (accredited by the State Financial Market Supervision Authority) accounting qualifications, universities, and training centers/organizations - providers of educational services accredited/recognized by the State Financial Market Supervision Authority, to obtain a certificate of auditor of the Kyrgyz Republic;
 - Procedures of accreditation of curricula and exams of universities that carry out training within the profile “accounting, analysis and audit”, professional accounting and audit associations, training and examination centers (for recognition/accreditation/exemption from certain examinations to obtain a certificate of professional accountant and/or certificate of auditor of the Kyrgyz Republic).

APPENDIX 5. POSSIBLE FUTURE ACTIVITIES

International Education Standard	Key Requirements	KAREP Activities	CFRR Resources available
IES 1: Entry Requirements to Professional Accounting Education Programs	<ul style="list-style-type: none"> • University • Professional Qualification 	Mapping of university degrees to professional Qualifications to be addressed in workshops	Competency-based accounting education, training & certification guide (Russian)
IES 2,3,4: Initial Professional Development	<ul style="list-style-type: none"> • Technical Competence • Professional Skills • Professional Values, Ethics, and Attitudes 	<ul style="list-style-type: none"> • Educational resources to be provided • Workshops to be organized to address the shortcomings identified 	Competency-based Accounting Education and Assessment materials- Guide (Russian)
IES 5: Practical Experience Requirements	<ul style="list-style-type: none"> • Development of professional competence 	Competency-based practical experience requirements to be addressed in workshops	Competency-based accounting education, training & certification guide (Russian)
IES 6: Assessment of Professional Competence	<ul style="list-style-type: none"> • Transparency • Sufficiency • Verifiability • Reliability • Validity • Equity 	Competency-based assessment methods to be addressed in workshops	Competency-based Accounting Education and Assessment materials- Guide (Russian)
IES 7: Continuing Professional Development	<ul style="list-style-type: none"> • Competency based • Accessible • Monitored and enforced 	CPD Standards and Practices to be addressed in workshops	CPD Guide for Professional Accountancy Organizations (English)
IES 8: Professional Competence for Engagement Partners	<ul style="list-style-type: none"> • Competency based • Monitored and enforced 	N.A. (addressed by IFAC/ ICAEW/ DFID project)	CPD Guide for Professional Accountancy Organizations (English)

APPENDIX 6. MODERNIZATION OF UNIVERSITY ACCOUNTING EDUCATION

Accounting education is currently situated within the *economics* state education standard (SES). The *economics* SES includes 10 profiles, one of which is *accounting, analysis, and audit*, and aims to develop a total of 31 competencies for graduate economists¹⁶, namely 6 general scientific competencies, 6 instrumental competencies, 4 social-personal and general cultural competencies, and 15 professional general economic competencies.

The reform of higher accounting education in the Kyrgyz Republic implies the achievement of such critical goals as:

- bringing university curricula in line with IESs, which enhance the competence of future and current professional accountants, thereby strengthening the professional accounting community throughout the world and increasing public confidence in the profession. The IESs define the professional competencies of accountants as the integration and application of technical competence, professional skills, professional values and ethics in order to be able to perform a functional role, in accordance with the defined standard;
- convergence of the accounting and audit model that is taught in universities of the Kyrgyz Republic with international best practices, namely the integration of university curricula and internationally recognized accounting qualifications (for example, ACCA);
- integration of the curricula of universities that produce bachelor's and master's in *Accounting and Auditing* into the national system of audit certification and accounting qualification, by achieving coherence of curricula, training materials, and examination procedures and, as a result, exemption / recognition of exams of certain universities by professional organizations and the state regulator in the process of accounting qualifications and audit certification.

Achieving the above goals is feasible in three ways:

1. Some updating of the accounting curriculum/work programs of universities within the existing *accounting, analysis, and audit* curriculum of the *economics* SES. However, while technically achievable this option will not provide high-quality and stable results. In most universities the *accounting, analysis, and audit* curriculum basic¹⁷ and variable¹⁸ elements do not include a sufficient number of credits in accounting disciplines. This is because accounting disciplines were not considered to be priorities during curriculum development by academic and methodological councils / boards of universities.

¹⁶ In accordance with Art. 5 of the Law of the Kyrgyz Republic "On Education" SESs are developed on the basis of a competency-based approach

¹⁷ "Basic" refers to disciplines required by the Ministry of Education to be included in the curriculum

¹⁸ "Variable" refers to disciplines determined by universities which can be compulsory or elective for students.

Moreover, the variable part differs in each university, which leads to many required accounting disciplines dropping out of the curriculum.

2. Revision of the *accounting, analysis, and audit* curriculum/work programs of universities but leaving the *economics* SES unchanged. This would make it possible to unify to some extent the curriculum of universities with specialized departments, based on a permissible 5% deviation from the SES in case the variable component of the professional cycle is completely filled with accounting / analytical disciplines, including electives. This change should be not a recommendation but mandatory for all universities with specialized departments (whereas notable change is not expected, since the discussion here is that the change will apply to only a slight increase in a number of credits related to professional disciplines);
3. Complete modernization of the curriculum/work programs of universities in accounting disciplines. The creation of a new curriculum and a new SES in *accounting, analysis and audit*. This would allow full inclusion of the necessary professional accountant competencies into the new SES in accordance with IESs 2, 3, 4, and as a result, take into account the actual expectations of employers regarding the knowledge and skills of certified accountants.

This third option could be implemented in two ways:

- (a) leave the first two current cycles (*humanitarian, social, and economic* cycle and *mathematical and science* cycle) unchanged and revise the third cycle significantly to include the list of mandatory disciplines of the basic part of the professional cycle and the first two levels of the national audit certification system (although this will add only 2 specialized disciplines);
- (b) completely revise the structure of the curriculum by reducing the share of the first two cycles and increasing the share of the third professional cycle. The basic part of the professional cycle would be the same for all profiles in the new direction, and the variable part of the professional cycle would vary from profile to profile within the new direction. This systematic approach to the implementation of accounting higher education reform will make it possible to significantly improve the quality of higher education and, accordingly, the status of certified accountants who meet IES requirements and can implement best world practices, thereby contributing to a stable / sustainable long-term result.

The current educational path in accounting and audit in the Kyrgyz Republic

The current educational path to becoming a certified accountant in the Kyrgyz Republic is to follow the *accounting, analysis, and audit* profile within Direction 580100 – *economics* at bachelor's level and master's level. The total workload of the basic bachelor's educational

program is 240 credits. The workload of full-time education for one academic year is 60 credits, 30 credits in each of the two academic semesters. One credit is equal to 30 hours of academic work (including classroom work, independent work, and all types of certification).

The basic educational program for a bachelor's degree in economics has the following structure:

1. *Humanitarian, social, and economic* cycle - 36 credits, 28 credits from required modules and eight credits from elective modules (including courses chosen by the student).
2. *Mathematical and natural-science* cycle - 34 credits, comprising 22 credits from required modules and 12 credits from elective modules (including courses chosen by the student).
3. Professional cycle - 148 credits, including the basic part - 75 credits, the variable part (including courses at the students' choice) - 73 credits.
4. Practical work (Academic training, on-the-job training and pre-graduation internship) - 12 credits.
5. The final state certification - 10 credits.

The *economics* SES, developed by the inter-university Educational and Methodological Association and the Ministry of Education and approved by the Resolution of the Government of the Kyrgyz Republic, serves as the basis for the template of the *accounting, analysis, and audit* curriculum and main educational program of each university, developed by specialized departments and approved by the university educational and methodical council / board. The current *accounting, analysis, and audit* curriculum in each university is an integral part of the basic educational program and has a common mandatory component - the basic parts of cycles I, II, and III. On the basis of the curriculum, the faculty of specialized departments develops working curricula / training programs for all accounting and analytical disciplines and the corresponding educational and methodological support.

Of the required 75 credits for the current professional cycle only 14 credits are accounting disciplines – *Basic Accounting* (8 credits) and *Economic Analysis* (6 credits) – representing 18.7% of total hours. Students following the *accounting, analysis, and audit* pathway would normally be expected to gain 75 credits for professional block electives in accounting and analytical disciplines. This results in 89 credits for specialized subjects (89 credits = 2670 academic hours (50% classroom academic hours, 50% independent study) = 667,5 pairs of classes = 222.5 academic days (with an average load of 3 pairs per day), distributed over 4 years of bachelor's training in the Accounting, Analysis and Audit profile), which amounts to 37.1% of the total workload of the bachelor's degree. However, in practice this volume of academic load is often not provided. Curricula are formed and approved by the Accounting and Methodological Councils in the direction of *economics* and the electives of the professional unit are distributed between different departments. Accounting and analytical disciplines should amount to at least 120 credits (50% of the total workload of the

undergraduate degree) of the professional block (the number of attributable credits would need to increase by at least 13-15% of the total hours). It is fundamentally important that the structure of the basic part devotes at least 60% of credits to relevant disciplines.

Possible means of implementing change of the accounting qualification path

The main provisions of the IESs for professional accountants describe three levels of qualification: basic, intermediate, and advanced. Educational results at a basic level relate to a work environment characterized by a low level of complexity, ambiguity, and uncertainty. Intermediate educational outcomes relate to a work environment characterized by a moderate level of complexity, ambiguity, and uncertainty. Educational results at an advanced level are associated with a work environment characterized by a high level of complexity, ambiguity, and uncertainty.

The developers of the audit certification system and the model of national accounting qualifications for the Kyrgyz Republic adhere to the same approach.

Potential changes to the accounting, analysis, and audit curriculum

The basis of the professional cycle of the general higher educational program of *accounting, analysis, and audit* should be competence at the intermediate qualification level. That is, the disciplines of the first two levels of the audit certification system and the national accounting qualification model should be included in the list of disciplines of the basic part of the professional cycle of the new curriculum. These should be mandatory for study, and accordingly, some economic disciplines will be transferred from the basic part of the professional cycle to the variable part, possibly with a decrease in credits.

A decrease in the proportion of the first and second cycles of the curriculum will allow a significant increase in the overall workload of the third professional cycle. The structural content of the professional cycle also needs to be optimized by reducing credits or eliminating certain subjects of a general economic nature and increasing accounting and analytical credits disciplines. This will ensure sufficient hours in the curriculum for the list of mandatory disciplines for audit certification and accounting qualifications; will ensure compliance with the IFAC IES requirements; and will bring it close to internationally recognized accounting certification curricula (in particular ACCA).

Technically, the implementation of option 3 (b), the complete revision of the curriculum structure, implies a decrease of the first education cycle by at least 7-10 credits. This will allow the introduction of the *basic accounting* and *professional ethics of accountants* subjects in the second semester of the first year, as well as a decrease in the second cycle by 5-7 credits to

include *information technologies in accounting* and *1C accounting* (as the most popular mass software product for automation of accounting and reporting in the Kyrgyz Republic). Reducing the overall workload of the first cycle can be achieved by eliminating or significantly reducing general education subjects. For example, *Kyrgyz / Russian* are currently both taught. Two approaches are possible to reduce credits while still teaching a foreign language that takes into account professional terminology and historical discipline links to accounting: i) reduce the number of credits for each language, leaving both languages with 4 credits for study, or ii) students taught in the Russian language study only the Kyrgyz language and those taught in the Kyrgyz language study only Russian, freeing 8 credits. Reducing the overall workload of the second cycle can be achieved by a small reduction in credits for each discipline while reorienting the disciplines to a financial nature (for example, dividing the *higher mathematics* course into two parts: i) *basic mathematics*, and ii) *financial mathematics* or *mathematics for business and economics* (to include *mathematics for the analysis of financial activities*, *Google spreadsheets*, etc.). Current second cycle subjects such as *mathematical moderation* and *linear programming* can be transferred to senior courses, which will allow the introduction of basic accounting disciplines in junior courses and an even distribution of accounting and analytical disciplines depending on the degree of workload over the four years of undergraduate study (for example, *fundamentals of accounting*, *financial accounting 1*, *financial accounting 2*, *financial reporting*, *financial reporting and evaluation*, *production accounting*, *management accounting*, etc.).

Since IESs focus on technical competence (technical competency is the ability to put into practice professional knowledge in order to fulfill functional duties at the level of regulatory requirements) it is proposed to increase the number of credits for students to complete practical training: academic (laboratory) training, on-the-job training, and pre-graduation / pre-qualification internship. Credits for the study of information technology, including information security, should also increase. An important role is given to instilling and observing professional values, ethical principles, and approaches in the formation of the professional competence of certified accountants. Disciplines such as *professional skepticism and professional judgment of an accountant* and *professional ethics of accountants and auditors* must be included in the basic part of the professional cycle or state component. It is clear that this can only be achieved by reducing the credits of other general economic disciplines, such as *macroeconomics*, *microeconomics*, *finance*, *money*, *credit and banks*, etc.

In general terms, the proposed updated basic educational program for a bachelor's in *accounting, analysis, and audit* is as follows (deviations within 5% are possible):

1. *Humanitarian, social, and economic cycle* - 21 credits, including the basic part of 17 credits, the variable part (including courses for students) of 4 credits.
2. *Mathematical and science cycle* - 27 credits, including the basic part of 18 credits, the variable part (including courses for students) of 9 credits.

3. Professional cycle - 166 credits, including the basic part of 96 credits, the variable part (including courses at the choice of students) of 70 credits.
4. Practical work (academic training, on-the-job training, and pre-graduation internship) - 16 credits.
5. Final state certification - 10 credits.

Direction addition

The most effective way to modernize the *accounting, analysis and audit* curriculum is to separate it from the *economics* direction and create a new SES. A generalized schematic representation comparing the current *economic* direction with the proposed *accounting, analysis, and audit* direction is given in the figure 6 below.

Figure 7. Comparative Structural Analysis of the Current Economics Direction and Draft Accounting, Analysis, and Audit Direction

CD MEP Code*	Training cycles, sections, and projected outcomes of their development	Workload, credits			
		Economics Direction		Accounting, Analysis, and Audit Direction	
		Credits	%	Credits	%
B.1	Humanitarian, social and economic cycle	36	15	21	8.75
	Basic part	26	11	17	7.08
	Variable part	10	4	4	2.5
B.2	Mathematical and Science cycle	34	15	27	11.25
	Basic part	22	10	18	7.5
	Variable part	12	5	9	3.75
B.3	Professional cycle	148	62	166	69.17
	Basic part	75	31	96	40
	Variable part	73	30	70	29.17
B.4	Physical education	400 hours		400 hours	
B.5	Practical work (Academic training, on-the-job training)	12	5	16	6.67
B.6	Final state certification	10	4	10	4.16
	The total workload of the main educational program	240	100	240	100

** Code of cycle of disciplines of the main educational program*

Such a fundamental approach will allow strengthening of the status certified accountant and increase the importance of the accounting profession as a whole. This is in accordance with the IES professional accounting education approach of IPD and CPD (formal education programs provided by universities and other higher education institutions as part of degree programs, programs of courses by IFAC member organizations and employers, as well as workplace training programs¹⁹) and is in line with modern European approaches e.g. British. An important result of the reform of higher accounting education, which has a significant socio-economic character, will not only be the strengthening of the status of certified accountant, but also the possibility of accreditation / recognizing university exams for subsequent professional accounting qualifications or audit certification without additional costs for training and educational materials.

The creation of a separate *accounting, analysis, and audit* direction conferring academic degrees (bachelor, master, as well as doctoral) in the field of accounting would follow a similar approach to higher professional education in many countries of the world.

Pathway towards reform of accounting education

The following stages are suggested as a possible pathway towards reform of accounting education in the Kyrgyz Republic:

1. Development of concept, road map/strategy, and country action plan on the reform of higher accounting education in the Kyrgyz Republic on the basis of this Report.
2. Approval of concept roadmap/strategy and country action plan by the Government.
3. Development of the new *accounting, analysis, and audit* SES in accordance with the concept/strategy and its approval by the Ministry of Education.
4. Development of relevant *accounting, analysis and audit* curricula (based on the needs of the market / employers) within the new accounting, analysis, and audit SES and their approval by the Ministry of Education.
5. Modernization of work programs within the *accounting, analysis and audit* curricula in accordance with the IESs and internationally recognized qualifications and their recommendations for use by universities.
6. Assessment of universities' provision of educational materials in accordance with the new SES, curricula, and work programs in at least 4 disciplines at the first level of the audit certification / accounting qualification system. Development of related recommendations

¹⁹ Paragraphs A13 IES 2, A15 IES 3, A32 IES 4, A2 IES5, A9 IES 6, Glossary of the Basic Provisions of IES.

(possibly - distribution of educational materials in these subjects, prepared by the partner project IFAC/ICAEW/DFID with corresponding professional development of the faculty).

7. Assessment of universities' accounting examination procedures for compliance with IES 6 "Primary Professional Education - Assessment of Professional Competence" and in comparison with international best practice and internationally recognized qualifications. Development of relevant recommendations for the subsequent development of a modernized system of examinations, including banks of exam questions, examples of mock exams (practice exams), examination procedures, and criteria for assessing competencies (and as an option - further training of relevant departments and faculty members of universities).

