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Centre for Financial
Reporting Reform



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Strengthening Auditing and Reporting in
the Countries of the Eastern Partnership

STAREP Annual Update

Progress Report 2019
and
Program Plan
2020

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LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants (UK)
ADA	Austrian Development Agency
A&A	Accounting and Auditing
A&ACoP	Accounting and Auditing Community of Practice
CFR	Corporate Financial Reporting
CFRR	Centre for Financial Reporting Reform
CoP	Community of Practice
CPD	Continuing Professional Development
EaP	EU Eastern Partnership
ECA	Europe and Central Asia
EduCoP	Accounting Education Community of Practice
EU	European Union
GDLN	Global Development Learning Network
IASB	International Accounting Standards Board
IAESB	International Accounting Education Standards Board
IES	International Education Standards (for Professional Accountants)
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium-sized Enterprises
PAO	Professional Accountancy Organization
PIE	Public Interest Entity
POS	Public Oversight System
QAS	Quality Assurance System
REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
ROSC	Report on the Observance of Standards and Codes
SOE	State-owned enterprise
SME	Small or Medium-sized Enterprise

SMP	Small and Medium- sized Practices
SOW	Senior Officials Workshop
STAREP	Strengthening Auditing and Reporting in the Eastern Partnership
WB	World Bank

EXECUTIVE SUMMARY

Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) is a regional program of the World Bank's Centre for Financial Reporting Reform (CFRR) for Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, and it was launched in October 2013 with a 5-year duration.

In October 2019, the project was extended to June 2023 with an additional funding of EUR 1.3 million provided by the Austrian Development Agency (ADA). As discussed with development partners, the project team anticipates a further extension of about 36 months to support countries in finalizing launched reforms and an estimated budget of EUR 3,500,000. Factoring in the unspent balance of EUR 212,843 at the time of project extension on 30 September 2019 and the additional contribution of EUR 1,300,000, the funding gap is currently estimated to be EUR 1,987,157.

The annual Senior Officials Workshop took place as part of a side event during the World Bank's Ministerial Conference that took place on 27 November 2018. The workshop jointly reviewed the progress made in respective countries with STAREP support and discussed priorities going forward. As a result, all beneficiary countries signed a joint communiqué, expressing a strong appreciation to the program and interest to extend the program beyond 2019, which would allow continued support to the implementation of the reforms. It is important to mention that all STAREP participating countries (including countries that are not technically bound by association agreements with the European Union) are equally committed to the next reform steps.

Within the program development objective to enhance approximation with good international practices, EU norms and application of international standards for corporate financial reporting in the EU Eastern Partnership countries, the project particularly focuses on transparent policy environment and effective institutional framework for corporate reporting in the participating countries. It will also continue supporting the reforms that have been launched, but not yet completed, and that require additional support and resources.

During 2019, the main efforts of the team were focused on project redesigning for the extended period, reviewing the framework results as well as identifying the action plans to support the reforms that have been launched by the participating countries but are not yet completed and require additional support and resources in several areas. The project restructuring included finalization of work in all project components, closing the components, and continuing with a set of activities.

In addition, STAREP has supported several in-country activities and knowledge exchange visits during 2019, aimed at further implementation of the audit reforms.

Various activities are planned for 2020 at both, regional and national levels. STAREP countries will benefit from the opportunity to learn about the French and Slovenian experience in the field of quality assurance and public oversight, as well as about the Romanian experience in implementing reforms related to accountancy curriculum and accountancy education.

Following the identified needs, in-country activities will be supported by the STAREP project during 2020.

Important Note: Given the developing emergency situation with the global pandemic of COVID-19, the Program implementation will be impacted for the in-country activities and regional events that require face-to-face interaction. The team is working with the participating countries to identify activities that may be implemented virtually, keeping the delivery plan for 2020 flexible to properly respond to the ongoing crisis. There is no immediate change in plans in the annual work plan context, however this will be reassessed further in case the situation will last.

ACTIVITIES AND PROGRESS

Introduction

STAREP has launched the implementation of critical reforms in strengthening financial reporting frameworks, audit quality and financial transparency, paving the way to a more conducive business enabling environment and improved access to finance. Policy makers demonstrated a strong sense of community, yet they still need to better understand policy actions and benefits in corporate financial reporting reforms from their closer alignment with the EU and international good practices.

Officials from participating countries have demonstrated ownership of corporate financial reporting reforms and benefits to their economies from improved quality and reliability of financial data. Senior officials and practitioners of all beneficiary countries attended program events regularly and with great interest. More than 1100 participants cumulatively attended communities of practice (CoP) for senior officials, Accounting and Auditing Education CoP, Accounting and Auditing CoP, and IFRS for Regulators workshops. The performed activities equipped the policy makers and practitioners with increased capacity to independently design, implement, and maintain reform elements in line with good international practice and EU framework. The progress in achieving result of the program demonstrate that this had an effect in each country through adopting and revising legislation, creating new institutions or building capacity of existing ones.

During 2019, the main efforts of the team were to support the project extension including to finalize work in the project components, project redesign for the extended period, and to review the framework results. Particular focus has been given to country-level support including to identify the action plans to support the reforms that have been launched by participating countries but are not yet completed and require additional support and resources in several areas. In addition, the team continued working on SOE FACT report for STAREP countries and on series of publications for accountancy education, that will be published in 2020.

Achievements in the various areas the project is active in, and reform status, are summarized below. An updated results framework is attached in the Annex.

Project Extension and Project Restructuring

STAREP was launched in October 2013 and envisaged to come to an end after a five-year period on December 31, 2018. As a side event to the World Bank's Ministerial Conference that took place on 27 November 2018, the annual Senior Officials Workshop jointly reviewed

progress made in the Strengthening Auditing and Reporting Program in Eastern Partnership Countries and discuss priorities going forward. All beneficiary countries were represented and following the event, a joint communiqué was signed, expressing a strong appreciation to the program and interest to extend the program beyond 2019, which would allow continuation of the support to the active implementation of the reforms.

In early 2019, the project was extended with the help of additional funding provided by the Austrian Development Agency (ADA). The project team anticipates an extension of about 36 months to support countries in finalizing launched reforms, but the actual extension period will be determined by financial resources available. The Austrian Finance Ministry and ADA signaled great support in the extension, and additional funding was provided by ADA.

For the extension, the project structure was simplified and streamlined. Activities in project components were finalized, and project components closed by October 2019. The corresponding disbursement trust funds were closed. Going forward, project activities are no longer organized by components; they are very targeted on particular areas where countries need support and may include regional and country level activities. A corresponding disbursing trust fund was created and details are provided in this report.

Update on Achievements and Reform Status

Accounting Education Reform

The STAREP EDUCoP participants have made significant progress in understanding and embracing the need for accounting education reforms. The translation of the International Education Standards (IESs) into Russian funded by STAREP proved to be very popular among participants. The benchmarking exercise undertaken to compare the accounting degree programs of universities in STAREP countries with international good practices (using the university Benchmarking tool developed under STAREP) helped identify gaps in the curricula of university programs. Representatives of the participating universities recognized and initiated changes in order to strengthen their programs and achieve a greater level of international recognition for their graduating students. For example, two universities from Moldova received additional exemptions from ACCA, as a result of improving the curricula after the benchmarking exercise.

Another outcome was the development of the STAREP Regional Curriculum (also known as Common Core) which was agreed upon by EDUCoP members as the agreed minimum syllabus for STAREP country undergraduate degree programs. Two Moldovan universities, which have made significant changes to their syllabuses, leading to ACCA credits, already implemented the minimum learning outcomes, as per Common Core. With the benefit of having completed the Benchmarking tool and having studied International Education Standards, STAREP

EDUCoP members then produced National Strategies for improving accounting education. Improving accounting and auditing curricula is considered by all National Strategies and it is expected that Common Core will serve as starting point for local universities¹ even after completion of the project and will include universities, which were not directly involved in the regional activities.

The understanding of the need for these reforms, including the establishment of independent qualification programs for professional accountants and auditors, has been demonstrated by legislative and regulatory changes undertaken in several STAREP countries over the course of the program, in Georgia, Moldova and Ukraine, where improved legislation in the field of accounting and auditing was adopted. Some of the PAOs in Ukraine have independently announced plans to merge and establish a national qualification.

The team started preparing for the next regional workshop. Due to current pandemic situation, it will be conducted via a video conference and the timing will be decided depending on the evolution of the current situation (initially the event was planned to take place in May 2020 in Bucharest, Romania with the title “Improving competencies and assessment methods for accountants: learning from the experience of advanced institutions”). The event will be focused on the curriculum issues and in addition, it will provide the opportunity to learn from the experience of Romanian PAOs and leading universities in the field of accounting and auditing.

Accounting and Auditing Standards

STAREP countries made important progress in modernizing their systems of corporate financial reporting, yet some common challenges are outstanding, especially in institutional capacity. While many STAREP countries achieved impressive progress by adopting new legislation, international standards and/or improved national standards in the field of accounting and auditing, implementing these laws and regulations in practice, and the necessary capacity, will be the next challenge. The key areas of reform in participating countries are represented below and are aligned with the STAREP’s Program development objectives and results.

Development and availability of transposition tables, which are indispensable tools that could demonstrate the progress and help in identifying gaps in legislation. **Georgia, Moldova** and **Ukraine** developed transposition tables (in Moldova and Georgia these are publicly available), while in **Azerbaijan, Armenia** and **Belarus** only partial transposition tables were developed, following internal needs.

¹ The team will consider conducting a survey of individual universities by the end of the project with an aim to capture the information on Common Core enforcement

Progress in updating legal framework in line with the EU framework (in particular the Directives 2013/34/EC and 2006/43/EC) and good international practices. The progress is monitored through adoption of key requirements of EU *acquis* in the field of corporate financial reporting, and for this stage it is measured in terms of adoption of improved legislation rather than enforcement. There are several indicators to measure the progress in updating legal framework:

- **Definition of PIE is compliant with the minimum requirements in Azerbaijan, Belarus, Georgia, Moldova and Ukraine.** In **Armenia** the definition was included in draft legislation which was passed at the end of 2019.
- **Classification of entities and group of entities in micro, small, medium-sized and large** (the main scope of this classification is to introduce differential reporting and disclosure requirements depending on the size of entity, and thus to reduce administrative burdens on micro and small entities) is fully adopted in **Moldova** and **Georgia**. **Ukraine** introduced the concept of classification, except for medium and large groups; it is partially adopted in **Azerbaijan**; and was included in recently passed legislation in **Armenia**.
- **Minimum audit requirements** —annual financial statements of medium-sized, large entities and PIEs are subject to an independent audit—are fully adopted in **Georgia** and **Moldova**. In **Ukraine**, since large and medium groups are not defined, these do not have a requirement to be audited. The concept is partially adopted in **Belarus** and **Azerbaijan**, and in **Armenia** these requirements are included in recently passed legislation.
- **General publication requirements** are fully adopted in **Georgia, Moldova** and **Ukraine** (in some countries the enforcement of this requirement is still a challenge, mainly because of lack of financing to develop and maintain a Public Register), are partially adopted in **Belarus** and **Azerbaijan**, and in **Armenia** these are included in the recently passed legislation.
- **Public interest entities in Azerbaijan, Georgia, Moldova and Ukraine are required to establish an audit committee** with a requirement that majority of members are independent and at least one member having competences in accounting and/or auditing (there still are some challenges related to independence in some countries).²

Adoption and availability of the latest edition of the international standards into local language(s). This remains one of the common challenges for a majority of STAREP countries. While international standards are adopted, the most recent editions in local language(s) are published with significant delays because of several reasons and mainly because translation processes are either not properly institutionalized or are inadequately funded. Currently, **IFRS**

² All participating countries were encouraged to amend the legislation and to introduce minimum requirements for Audit Committees. The team will report the current situation in Belarus and Armenia in the next progress report. Even though the requirements are in place, the practical implementation is a significant challenge and will take time.

are adopted by **all STAREP countries** and are mandatory for PIEs; IFRS for SMEs is adopted in **Armenia, Azerbaijan, Georgia, and Ukraine**; ISAs are adopted in all countries, except Belarus where the adoption is in process; and **IESBA' Code of Ethics** is adopted in **Azerbaijan, Georgia, Moldova** and **Ukraine** and is in process of adoption in **Belarus**.

Suitable financial reporting framework for non-PIEs. In **Azerbaijan** and **Armenia**, non-PIEs are required to apply IFRS for SMEs, which could be considered too demanding for small entities. In **Georgia**, IFRS for SMEs (as issued by IASB) is applied by large non-PIEs; IFRS for SMEs with simplified disclosures (as issued by IASB and modified by SARAS) is applied by medium-sized and small entities; and Standard for Micro entities as issued by SARAS is applied by micro entities. In **Moldova**, improved NASSs, in line with the *acquis* were developed and approved in 2019, with application date from January 2020 (a 1-year transition period). In **Ukraine** IFRS for SMEs is adopted but remains to be optional, entities are allowed to apply either IFRS for SMEs (2015 edition yet to be translated into Ukrainian language) or NASSs (need to be updated to be closer aligned to the *acquis*).

Public oversight system is established and operational in **Georgia** with STAREP support through the Service for Accounting, Reporting, and Auditing Supervision (SARAS). In **Moldova** the Council for Public Oversight of Audits was reorganized in 2018 and became fully operational in 2019. In **Ukraine**, Audit Public Oversight Body (APOB) was created in 2018, with significant support from STAREP and parallel technical assistance provided by the EU FINSTAR project³. After adopting new Accounting and Audit legislation at the end of 2019, **Armenia** is establishing their audit oversight function and will be supported by STAREP in this process.

The team prepared a workshop to be held in Paris France - **A&ACOP** workshop "Implementation of the statutory audit regulation in the European Union: the experience of France". It will be focused mainly on audit public oversight and quality assurance and the event will be hosted by French Audit Oversight institution, H3C. It was initially planned for March 2020 but is postponed to September 2020 (tentatively).

Financial Regulators

Under the development objective of the STAREP program, the sub-component of the Financial Sector Practice Forum has assisted banking, insurance and securities supervisors to enhance their supervisory practices over the financial information prepared by entities they supervise. Further to the description of the "brief activity description", assistance was provided by the World Bank under two streams of activities: (i) workshops and seminars on International Financial Reporting Standards (IFRS), both issued or as draft (including during the drafting period for IFRS 9 Financial Instruments, and IFRS 17 Insurance Contracts), (ii) publications and workshops on how to develop better cooperation with the external auditors

³ Implemented by the Human Dynamics Consortium contracted by the EU Delegation in Ukraine.

of supervised entities for better quality of audits and enhanced supervision. The activities included three publications and 8 workshops and seminars.

Mostly the impact for banking supervisors has been threefold: (i) In their practices, financial supervisors in several countries are monitoring the quality of financial statements, (ii) reading the audit opinion report and management letters from the auditors, and (iii) performing an annual reconciliation of banks' regulatory capital between prudential returns and audited financial statements. Participating countries welcomed the World Bank support under this activity as an important input for the implementation of IFRS 9.

Enhanced capacity of banking supervisors to understand financial information prepared under IFRS was evidenced by the quality of intervention of participants during the workshops and the interaction with faculty. The workshops have also supported the implementation process for each participating regulator for the new accounting standard for financial instruments, IFRS 9, the first application of which was 2018. All participating countries have implemented IFRS 9 on time, which is not the case for all countries in the world: several countries in Asia have differed implementation of IFRS 9; the support provided by the Bank for STAREP countries have allowed them to take the necessary actions for implementing the standard on time. Finally, the importance and the quality of the events is also evidenced also by the very good ratings provided to these events by participants, which ranged on average between 4 and 5 on a 1-5 scale.

Finally, as a result of activities under this sub-component, the work on the CFRR is cited and recognized in the guidelines of the European Banking Agency on the cooperation between banking supervisors and auditors. The guidelines apply to supervisors of countries that are candidate countries to EU membership. A 2-day workshop was held on May 2-3, 2019 in Yerevan Armenia (see details below).

Update by Country and Country-level Support

Country-level activities were closely linked with the other technical components to provide additional support for country-level reform efforts. As such, it serves as a vehicle for participating countries and the CFRR to support the application and implementation of concepts presented as part of regional activities. The CFRR team frequently traveled to STAREP countries to engage in direct dialogue with senior government representatives such as deputy ministers of finance, working level counterparts in the ministries, as well as representatives from the profession, academia, the business community and other stakeholder groups. Apart from policy dialogue, activities include country-level stakeholder and round table discussions, workshops, desk review and technical assistance.

During the second half of 2019 the team considered all opportunities to meet with key counterparts from each country and to discuss directly about their needs and activities to be

performed in 2020 with STAREP support. The key achievements by countries in 2019 are as following:

Armenia

The three important laws have been adopted at the end of 2019 and are effective since January 1, 2020: Law on Accounting, Law on Auditing, and Law on Public Oversight.

An IFRS for regulators workshop was delivered to supervisory staff of the Central Bank of Armenia and a few local banks in May 2-3, 2019. The workshop mainly dealt with a training on IFRS 9 the standard about financial instruments and the necessary collaboration between banking supervisors and external auditors. The workshop in Armenia covered around 65 people out of which 57 completed an evaluation form⁴. All participants were overall satisfied or very satisfied with the workshop, and very satisfied with the sessions and the speakers.

Azerbaijan

Following to the amendment to the Law on Accounting, the Ministry of Finance adopted bylaws on accreditation of PAOs and carrying out examinations and keeping of the state register of persons who received the certificate of a professional accountant.

Belarus

Important changes were introduced to the Audit Law by Belarus Government in July 2019 with technical support from the STAREP team. To enable the Law implementation, the Ministry of Finance drafted two important bylaws to support the enforcement of the Auditing Law, i.e. the Regulation on Quality Assurance and the Regulation on Auditors' and Audit Firms' registration. The project team provided comments on drafts documents, aiming to ensure close alignment of the drafted legislation to the good international practice.

Georgia

The team carried out a series of consultations with the education community of practice on fine-tuning the action plan on improvement of accounting and audit education in Georgia. As a result of the consultations, the action plan was updated. A detailed benchmarking study of the university curricula was initiated with participation of three leading universities. The study was completed with the final report to be finalized in first half 2020. The final report will be presented to the universities and PAOs proposing a model national curriculum, good examination practices, and agree the steps to implement the study recommendations and close the gaps in technical resources.

⁴ For instance, the overall rating for the workshop (including facilities, benefit of the workshop, preparation, delivery, speakers) was 4.37 on average out of 5 (5 being the max), usefulness of the presentations: 4.47 on average out of 5 (5 being the max); knowledge of the speakers: 4.84 on average out of 5; ability to use the information right away: 3.96 on average out of 5.

Moldova

A four-day train-for-trainers workshop was delivered with STAREP support and in cooperation with the Ministry of Finance on 21-24 May, 2019⁵. The aim of the workshop was to equip the trainers of leading universities, PAOs as well as of the relevant public institutions (tax authority, public depository of financial statements) with proper knowledge and insights related to application of the new provisions of national accounting standards effective January 2020 and new Accounting Law. The event was attended by 35 participants.

With the project's support, the Public Oversight Body finalized and approved two important bylaws that allowed initiation of the first quality control inspections in 2019, i.e. the Regulation on Quality Assurance and the Quality Assurance Methodology.

Two representatives of the Public Oversight Body benefited from the opportunity to learn from the experience of the Netherlands Autoriteit Financiële Markten (AFM) during an experience exchange visit on April 17-19, 2019 in Amsterdam. The two-day workshop covered the matters related to quality assurance process for PIE auditors and quality review cycle.

In December 2019, the Ministry of Finance initiated the development of a detailed study guide to support enforcement of a recently approved National Accounting Standard "Consolidated Financial Statements". This activity is also supported by the STAREP project and will be finalized in 2020.

Ukraine

STAREP has supported a number of activities in Ukraine during 2019, aimed at further implementation of the audit reform. Ukraine audit reform is implemented in active cooperation with the EU under the EU FINSTAR Project. STAREP has contributed to the audit reform support via technical advice, peer learning support, and targeted workshops. In addition, STAREP organized several peer exchange workshops dedicated to raising awareness of good reporting in the financial sector and public interest entities (PIEs) – private and state-owned:

- **January 28, 2019** – an experience exchange workshop between the Ukrainian APOB and the Georgian SARAS on auditors' registry, specifics of adding auditors to the registry, keeping their status and quality control measures. Workshop was delivered by SARAS experts in Kyiv, Ukraine, over 2 days.
- **February 4, 2019** – an experience exchange video conference between the Ukrainian APOB and the German Wirtschaftsprüferkammer, covering matters related to the organization of quality assurance process for non-PIE auditors including fulfilment of delegated functions, registration of public auditors and quality review cycle.

⁵ <http://mf.gov.md/ro/content/activitate-de-instruire-pentru-formatori-privind-contabilitatea-%C8%99i-raportarea-financiar%C4%83>

- **April 17-19, 2019** - an experience exchange visit to the Netherlands Autoriteit Financiële Markten (AFM) in Amsterdam. The two-day workshop covered matters related to the quality assurance process for PIE auditors and quality review cycle.
- **April 29-30, 2019** – the Ukrainian APOB visited the Annual Plenary of the International Independent Audit Regulators in Greece, where the Ukrainian counterparts were introduced to the IFIAR and committed to join the organization within 12 months period.
- **June-October 2019** – STAREP has supported a country-wide training on the benefits of IFRS reporting and systematized process, reaching out to approximately 400 accountants representing PIEs – private and state-owned. The training was successfully completed in October 2019.
- **July 16-19, 2019** – audit training was delivered to the Ukrainian APOB by the World Bank and EU FINSTAR experts to equip the APOB and Audit Chamber inspectors on gaining critical knowledge and tools to perform audit quality inspections, procedures, processes and controls which firms use to ensure that audits comply with professional standards, etc.
- **September 12-13, 2019** – STAREP has contributed to the joint event organized by the National Bank of Ukraine, the IMF and the World Bank on the transition to IFRS by financial sector regulators, by providing a presentation on collaboration between supervisors and auditors, and moderating sessions on IFRS adoption. The workshop has become a flagship regional event for central banks of Central and Eastern Europe.

PLANNED ACTIVITIES 2020

Introduction

STAREP activities will continue to be delivered through a combination of knowledge and peer learning activities and country-level support to facilitate implementation. Activities will include: (i) Communities of Practice to foster peer exchange and learning (this would include research on specific topics on needs basis); (ii) knowledge exchanges with European countries; (iii) in-country technical sessions, including dissemination of regional events; (iv) international conferences on relevant topics; (v) targeted, country-level technical advice and reform implementation support, in the form of training courses, support to drafting of legislation and bylaws, development of methodologies and analytical work, as well as hands-on assistance.

A more detailed description of the planned program for the extension is provided in the Annex. Forming the basis for the extension of STAREP, particular focus will be given to the list of reform efforts launched but in need of continued assistance, as identified in the Senior Officials workshop 2018, however in case an immediate need for action in a particular country is identified, it will be analyzed by the team. The enforcement of improved Accounting and Auditing legislation and implementation support will be considered as the first priority during the extension period, rather than supporting new initiatives:

- Implementation support of new Accounting and Auditing legislation in Armenia, Belarus, Georgia, Moldova and Ukraine;
- Implementation support of new Accounting Legislation in Azerbaijan;
- Draft and adoption of new Auditing Law in Azerbaijan, including via support in adoption of ISA and Code of Ethics (IESBA);
- Support to full implementation of public oversight function in Georgia, Moldova and Ukraine;
- Public Oversight Institutions to be established or strengthened in Armenia, Azerbaijan and Belarus;
- Establish national register of auditors and audit firms in Armenia, Azerbaijan and Belarus;
- Ensure sustainability of ongoing translation of accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in all countries;
- Update of the curriculum in accounting and audit to leading universities in beneficiary countries;

- Support to professional accounting associations and small-and-medium practices (SMPs) to build capacity continuous professional development, in particular in SME advisory;
- Support roll out of reconciliation approach to apply prudential filters in financial sector supervision in Moldova and Belarus.

Planned Activities

Regional activities

The following regional **workshops** are planned to be delivered in 2020:

1. Tentatively in September 2020 in Paris, France - **A&ACOP workshop** “Implementation of the statutory audit regulation in the European Union: the experience of France”. It will be focused mainly on audit public oversight and quality assurance and the event will be hosted by the French Audit Oversight institution, H3C. It is anticipated that only representatives of the independent oversight bodies will be invited to attend. Initially the workshop was planned for March 2020 but postponed due to the pandemic situation. The event was designed to be hosted by the French Audit Oversight institution, H3C and the location cannot be changed. The team will take the final decision in May, depending on the evolution of the pandemic situation.
2. EduCoP workshop, initially scheduled for May 25-26 in **Bucharest, Romania was cancelled**. The team is considering delivering a half-day virtual workshop in June (or as situation allows), to cover the most relevant sessions, while the next face-to-face workshop will be organized tentatively in September and the new location is to be decided.
3. Tentatively June 1-2 or 11-12 in Vienna, Austria – A 2-day workshop, tentatively planned for June in Vienna Austria was postponed. The representatives from Central Banks to continue learning on IFRS enforcement in banking and insurance sectors will be convened as soon as permitted.
4. Tentatively September-October in Ljubljana, Slovenia - **A&ACOP workshop**. The event will be hosted by the Agency for Public Oversight and it will allow participants to learn from Slovenian experience in audit oversight and quality assurance. Senior officials will be encouraged to attend and perhaps several meetings will be designed for them.
5. Tentatively in November in Vienna – EduCoP workshop. The proposed theme of the event is “upskilling / reskilling” and it would be organized jointly with the International Federation of Accountants.

By June 30⁶ 2020, the following **publications** will be finalized and published:

1. Common Core, a “Regional Curriculum” which would establish a solid platform for all accounting degree programmes offered by universities in STAREP countries.
2. The National Education Initiatives documents, as well as the Regional Study will provide a roadmap for the stakeholders in each STAREP country to implement further reforms.
3. The Accounting Qualification Resources and Implementation Toolkit will provide STAREP EduCoP members and the broader range of stakeholders some concepts, tools and resources, as well as sample course material to support the reform of accounting education programs.
4. The Continuing Professional Development Programs for Accountants – Implementation Guide which will support PAO and other stakeholders they collaborate with implementing and maintaining CPD systems that are (i) compliant with international standards and best practices, (ii) sustainable in the local context and environment, and (iii) robust in their support of members as they strive to maintain and enhance their competence.
5. A publication for financial sector regulators to provide guidance on reviewing IFRS financial statements.

In addition, the STAREP project will provided needed support to countries, where *IFRS for SMEs* is adopted to provide feedback, following the 2019 Comprehensive Review of the *IFRS for SMEs* and Request of Information, to be announced by IASB in early 2020.

Country-level Support

In 2020, the focus will be on supporting ongoing in-country activities through policy dialogue, technical assistance, exchange visits and workshops for local communities of practice.

Many of the in-country activities are now delivered in partnership and close coordination with other parallel projects implemented with other donors. During its implementation time, STAREP has raised the awareness about the importance of accounting and audit reforms among many stakeholders, including other development institutions paving a way for additional in-country support provided jointly with the World Bank, or directly to the participating governments. The details of such additional support are disclosed below for each respective country.

Armenia

Planned activities:

- Implementation support of new accounting legislation (IFRS, IFRS for SMEs translation, awareness, training);

⁶ Russian translation of those deemed useful and subject to funding to be finalized by December 31, 2020.

- Support in developing audit quality control methodology for professional bodies and national competent authority in the field of public oversight as well as provision of corresponding trainings.

Azerbaijan

Planned activities:

- Implementation support of new accounting legislation (IFRS, IFRS for SMEs translation, awareness, training);
- Draft and adoption of new Auditing Law, including via support in adoption of ISA and Code of Ethics (IESBA);
- Support in professional development, training, and capacity building of local PAOs.

Belarus

Some of the proposed activities are currently partially supported by other development partners in Belarus, as outlined below. The CFRR ensures close coordination and complementarity of the ongoing activities via regular communication with external counterparts (as the case for (ii) below) and same implementation team on the WB side (as the case for (i) below):

- (i) Belarus Structural Reforms Technical Assistance funded by the European Union and implemented by the World Bank. The ongoing project assists the MOF in updating the IFRS certification for PIE Chief Accountants and works with the Central Bank on transitioning the country's banking system to IFRS and building a reconciliation methodology between IFRS and prudential accounts to ensure better quality banking supervision; and
- (ii) Recently launched direct support of the EU Delegation to the Ministry of Finance in building public audit oversight function, creating a professional organization of auditors and increasing the MOF capacity as the audit regulator.

Planned activities:

- Implementation support of new Accounting and Auditing Legislation in Belarus: IFRS training, regulator's capacity, awareness;
- Support roll out of reconciliation approach to apply prudential filters in financial sector supervision;
- Implementation support of new Auditing Law in Belarus, including ISA and Code of Ethics (IESBA), building the public oversight function and the respective delegation to the Public Oversight function to be established in the Belarus MOF;
- Establish a national register of auditors and audit firms.

Georgia

Some of the below activities are implemented in cooperation with other development partners in Georgia, as outlined below. The CFRR ensures close coordination and complementarity of the ongoing activities via regular communication with external counterparts (as the case for (ii) and (iii) below) and same implementation team on the WB side (as the case for (i) below):

- (i) Georgia Financial Inclusion and Accountability Technical Assistance funded by the European Union) and implemented by the World Bank. The ongoing project assists SARAS in developing secondary accounting and audit legislation, builds capacity of SARAS, other regulators, accounting profession and assists in updating accounting curricula in leading local universities.
- (ii) Ongoing twinning arrangement between SARAS and the Hellenic Accounting and Auditing Standards Oversight Board (Greece), funded directly by the European Commission;
- (iii) Parallel technical assistance implemented by the ICAEW and funded by the ADB aimed at PAO development.

Planned activities:

- Capacity building and regional collaboration for the Georgian Service for Accounting, Reporting and Auditing Supervision (SARAS);
- Creating of web-based platform for exchanging inspection manuals, templates, finding libraries etc. (analogue of CEAOB);
- Organizing inspection/enforcement workshops and other technical events;
- Creating of web-based platform for secondments of the Russian-speaking inspectors between post-soviet countries;
- Partially supporting accounting education reform.

Moldova

Planned activities:

- Implementation support of new Accounting Legislation, in particular IFRS training for PIE/SOEs and capacity building for Audit Committees, to be established by PIEs under the provisions of new Auditing Law;
- Organizing inspection/enforcement workshops and other technical events, including exchange visits for quality inspectors of Public Oversight Council;
- ToT: Consolidated Financial Statements according to new NASs (to be delivered tentatively in May- April);
- Support in finalizing the guidance for preparation of consolidated financial statements (NASs).

Ukraine

Some of the proposed activities will be partially supported by other development partners in Ukraine. For instance, EU Delegation directly funds technical assistance project implemented by the Human Dynamics Consortium – EU FINSTAR. This ongoing project works on building public audit oversight function and its capacity in Ukraine. The CFRR ensures close coordination and complementarity of the ongoing activities via regular communication with external counterparts.

Planned activities:

- Implementation support of new Accounting and Auditing Legislation: IFRS training, IAS training, regulator's capacity (MOF and APOB), awareness on reform implementation;
- Support to full implementation of public oversight function: Audit Public Oversight Body (APOB);
- Adoption of suitable financial reporting framework for SMEs.

PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES

Program Governance and Partners

Program priorities planned activities as well as progress made are reviewed in regular meetings with senior officials representing the governments of STAREP countries, typically the Deputy Ministers of Finance. Meetings take place at least once a year and, in addition to addressing technical questions, provide an opportunity to review progress of the program and to endorse the work plan.

Representatives from donors, regulators and standard-setters, as well as market participants, are regularly consulted by the CFRR on technical questions as well as issues of program governance and join select sessions of the senior officials' meetings. A donor meeting takes place formally once a year.

Financial support for STAREP and its activities is being provided by two sources: a Single-Donor Trust Fund (SDTF) with the European Commission; and the REPARIS Multi-donor Trust Fund (MDTF) and its donors – the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg. Within the MDTF, STAREP is made possible with contributions paid into the trust fund by the Austrian Development Agency and the Austrian Ministry of Finance. As of this report, the SDTF with the European Commission has been fully exhausted. The MDTF was replenished in 2019 with a contribution of EUR 1.3 million by the Austrian Development Agency.

STAREP is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR). Located in Vienna, the CFRR is a World Bank unit specialized in the area of corporate financial reporting reform with a core team of experts and a panel of specialized short-term consultants. The CFRR is an integral part of the Governance Global Practice of the World Bank.

The restructured program is no more structured along five components, the activities are structured rather at the regional and country level. It is led by a senior specialist, ensuring high technical quality and the efficient use of the program's resources. Key team members include:

Project Management

Name	Position
Adenike Oyeyiola	Practice Manager
Andrei Busuioc	Senior Financial Management Specialist

Country-relationship responsibilities

Country	CFRR	Non-CFRR staff
Armenia	Alfred Borgonovo	Arman Vatyan (based in Yerevan) Lusine Grigoryan (based in Yerevan)
Azerbaijan	John Hodge	Tural Jamalov (based in Baku)
Belarus	Andrei Busuioc	Natalie Manuilova (based in HQ) Natalia Konovalenko (based in Kyiv)
Georgia	Andrei Busuioc	Natalie Manuilova (based in HQ) Irina Gordeladze (based in Tbilisi)
Moldova	Andrei Busuioc	Oxana Druta (based in Chisinau) Svetlana Platon (based in Chisinau)
Ukraine	Andrei Busuioc	Natalie Manuilova (based in HQ) Natalia Konovalenko (based in Kyiv)

Financial Information

Financial information can be made available upon request.

ANNEX

Program Background

Program Development Objective

The STAREP program works with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine to build capacity in accounting and auditing and develop and implement an institutional framework for corporate financial reporting which is in accordance with international accounting, auditing and accounting education standards. Progress towards achieving these aims is measured using a results framework. This sets out the intended outcomes supporting the overall development objective, the means of achieving these, and the method of assessment.

Program Approach and Structure

Eastern Partnership countries face common challenges as evidenced in A&A ROSCs, and have a common aspiration towards strengthening their relationship with the EU. The Centre for Financial Reporting Reform (CFRR), the World Bank's Centre for technical expertise in corporate financial reporting in the Europe and Central Asia (ECA) region, launched the regional program for Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) in October 2013. The program helps participating countries design and carry out reforms in corporate financial reporting. STAREP builds on the analysis and recommendations of the A&A ROSC program. It takes a broad view of the reform process, covering not only changes to the legal and regulatory framework but also the need to improve the capacity of the public and private institutions (standard-setters, oversight bodies, professional accountancy organizations, etc.) involved in financial reporting.

The program is structured around the notion of Engagement on Three Levels: 1) knowledge and experience sharing; 2) peer learning and targeted assistance; and 3) supporting effective, sustainable implementation. Through expert presentations and professional facilitation, the program provides integrated advisory services, effective knowledge management, training, implementation support, and monitoring and evaluation assistance to the beneficiary countries.

The program puts a heavy focus on *learning from each other's experiences*. Regional knowledge transfer and experience-sharing activities achieve significant economies of scale, allowing countries to tackle common issues regionally, and fostering cooperation and coordinated actions among Black Sea countries within a common framework. A good command of Russian across the countries helps facilitate communication and peer exchange.

In addition, the program provides country-level reform implementation assistance, supporting improvements to CFR institutions and capacity building measures which increase sustainability and effectiveness.

The program aims to engage all those with an interest in corporate financial reporting, in both the public and private sectors, and including both users and preparers of financial statements.



Proposed program for STAREP extension

Rationale and objectives

By way of reviewing the progress, it shall be noted that the STAREP program has helped launch and implement critical reforms to strengthen the financial reporting frameworks in the beneficiary countries with a view to strengthening the improved financial management practices in the private sector and among state-owned enterprises, enhanced quality of business advice and audit by the accounting and auditing profession, and supporting a more conducive business enabling environment and improved access to finance.

In particular, the combination of (i) a strong regional aspect of the program facilitating peer exchange, joint-learning, discussion of experiences within communities of practice, regular exposure to international good practice, and (ii) targeted country-level assistance within one program, is regarded as instrumental element to the successes achieved.

As a side event to the World Bank's Ministerial Conference taking place on 27 November 2018, the annual Senior Officials Workshop took place to jointly review progress made in the Strengthening Auditing and Reporting Program in Eastern Partnership Countries and discuss priorities going forward. All beneficiary countries were represented, and following the event, a joint communiqué was signed, expressing a strong appreciation to the program and interest to extend the program beyond 2019, which would allow to continue support the active implementation stage of the reforms (see attached).

Within the program development objective to enhance approximation with EU norms and application of international standards for corporate financial reporting in the EU Eastern Partnership countries, the project particularly focuses on transparent policy environment and effective institutional framework for corporate reporting in participating countries. It will also support the reforms that have been launched but not yet completed and require additional support and resources. The particular areas of reform are laid out below.

It is important to mention that all STAREP participating countries are equally committed to the next reform steps, even those countries that are not technically bound by association agreements with the EU.

Thematic areas to be focused on

Reform efforts have been successfully completed in several areas as per above. Reforms have been launched but are not yet completed and require additional support and resources in several areas. By way of a high-level summary, the following are the thematic areas to be focused on:

Accounting standards, laws and institutions:

- Regional activities to support accounting and auditing reforms, with particular focus on strengthening Public Oversight and Quality Assurance functions;
- Implementation support for new accounting and/or auditing legislation in selected countries;
- Technical support for drafting and adopting of new Auditing Laws in selected countries (provisionally Belarus, Armenia and Azerbaijan), including via support in adoption of ISA and Code of Ethics (IESBA);
- Continuous support to implementation of public oversight function in Georgia, Moldova and Ukraine;
- Establishing and strengthening of Public Oversight Institutions and practices in Belarus, Armenia and Azerbaijan;
- Facilitate timely availability of translated accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in all countries;

- Establishing national register of auditors and audit firms in Armenia and Azerbaijan;
- Support to develop systems for public availability of audited financial statements in selected countries.

Accounting Education and Profession:

- Regional activities to support addressing common challenges as identified by the “Strategies to improve accounting education”, developed by all STAREP countries;
- Update of the curriculum in accounting and audit of leading universities in beneficiary countries;
- Support in developing learning materials and modern teaching methods, including support in developing examination systems and processes; support to professional accounting associations and small-and-medium practices to build capacity in the area of continuous professional development, in particular in SME advisory.

Financial sector workshops:

- Regional workshops for banking and insurance supervisors;
- Support banking supervisors in selected countries to implement IFRS and reconciliation approach in applying prudential filters.

Regional conference and senior officials’ workshops:

- Regional activities to support reform momentum in STAREP countries and to convene senior officials for stocktaking of reforms.

Proposed approach going forward

STAREP will be delivered through a combination of knowledge and peer learning activities and country-level support to facilitate implementation. Activities will include: (i) Communities of Practice to foster peer exchange and learning (this would include research on specific topics on needs basis); (ii) knowledge exchanges with European countries; (iii) in-country technical sessions, including dissemination of regional events; (iv) international conferences on relevant topics; (v) targeted, country-level technical advice and reform implementation support, in the form of training courses, support to drafting of legislation and bylaws, development of methodologies and analytical work, as well as hands-on assistance.

Expected results

The project targets the corporate financial reporting framework in a holistic way. The proposed activities will aim at contributing to the target values for most indicators included in the results framework (with additional information under target value for specific results

during program extension) and were possible to increase the target up to 6 countries. In terms of results, it is expected that the following will be achieved. Highlighted results for the extension include:

- Progress in updating legal framework that are in line with the EU framework and good international practices: additional 2 countries;
- Public oversight systems established in line with the EU framework and operational: additional 1 country;
- Updating curricula and education materials: in 10 universities;
- Increased access to modern learning materials: 2 publications;
- Publication and dissemination of national education initiatives: in 6 countries;
- Availability of transposition tables: updating the tables in 4 countries and making them publicly available;
- ISAs adopted in 1 additional country;
- Suitable frameworks for SMEs in 1 additional country;
- National register of auditors in 1 additional country;
- Reconciliation approach to apply prudential filters in 2 additional countries.

Results Framework

Program Development Objective: Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EU Eastern Partnership (EaP) countries, by building the capacity of relevant practitioners, policymakers and stakeholders.

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
A	Progress in updating legal framework that are in line with the EU framework and good international practices	No. of countries	0	3 ⁷	5 (additional 2 countries during extension)	4
B	Enhanced capacity of policy makers and practitioners to develop, promote, and apply suitable legal frameworks for SMEs/SMPs	No. of policy makers and practitioners with increased capacity to independently design, implement, and maintain reform	N/A	1147	1080 beneficiaries [6 countries x 6 representatives x 6 ⁸ events per year x 5 years] (additional 200)	No changes

⁷ The indicator is measured through adoption of the minimum 75% of the following requirements: (i) Definition of PIE is compliant with the minimum requirements of Directive 2013/34/EC; (ii) Entities and group of entities classified in accordance with the article 3 of the Directive 2013/34/EC; (iii) Minimum audit requirements according to the provisions of the article 34 of the 2013/34/EC Directive are transposed into national legislation; (iv) General publication requirements (financial statements, including audit report and management report, where applicable) are transposed; (v) Public interest entities are required to establish an audit committee; (vi) Auditors/audit firms approval, registration and continuing education requirements are compliant with Directive 2006/43/EC. However, it is assumed that for countries where there is no an association agreement signed with EU, the indicator is measured through adoption of the minimum 50% of the listed requirements.

⁸ Target of regional events per year includes: 2 A&ACOPs, 2 EduCoPs, 1 SOW, 1 IFRS for Regulators event

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
		elements in line with good international practice and EU framework			participants during extension period)	
C	Public oversight systems established in line with the EU framework and operational	No. of countries	0	2 ⁹	4 ¹⁰ (additional 1 country during extension)	No changes
INTERMEDIATE OUTCOME LEVEL						
GENERAL						
1	Contributed to stakeholder involvement	Text	n/a	Senior officials and practitioners of all beneficiary countries regularly and enthusiastically attend program events	Senior officials and practitioners of all beneficiary countries regularly attend program events	No changes

⁹ POB is operational in GE and has been reorganized at the end of 2018 in MD

¹⁰ Target included Moldova, Ukraine and Georgia, following the requirements of AA

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
2	Disseminated and facilitated exchange of good practice w/ clients	Text	n/a	Participating countries learning from EU member states (6 speakers from EC and 6 ¹¹ Member States involved at STAREP events), or from each other (i.e. Georgia, Moldova and Ukraine which adopted improved legislation)	All participating countries learning from EU member states or peer STAREP participants, applying good practices in practice (all 6 countries)	No changes
3	Public debate stimulated	Number of public discussions on new regulations / legislations held before new A&A legislation approved	0	21	12 (no additional debates are envisaged under extension)	No changes

¹¹ Poland, France, Estonia, Croatia, Romania, Germany, Netherlands

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
COMPONENT 2 – ACCOUNTING EDUCATION						
4	Capacity increased to identify and address gaps in accounting university education in line with international good practice	Number of STAREP Universities which completed the profiling tool to identify and address gaps in their curriculum	0	11	11	No changes
5	Increased access to the learning materials and modern teaching methods	No of publications	0	0	2	No changes
6	Improvement strategies in accounting and auditing education agreed on and developed in line with good international practice by local stakeholders	No. of countries that developed national accounting education initiatives and action plans	0	6	6 (publication and dissemination of strategies and action plans will be facilitated during program extension)	No changes

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
COMPONENT 3 – ACCOUNTING & AUDITING STANDARDS						
7	Availability of transposition tables that benchmark national legislation in the field of accounting & auditing to the relevant EU framework and good international practices	No. of countries	0	2 ¹²	3 ¹³	No changes
8	IFRS adopted and applicable for PIEs	No. of countries	3 ¹⁴	6	6	No changes
9	ISAs (IAASB) and Code of Ethics (IESBA) adopted	No. of countries	4	5 ¹⁵	6 (1 additional country during extension period)	No changes
10	Suitable financial reporting framework aligned with EU requirements and good international practices for non-	No. of countries	0	4 ¹⁶	5 (1 additional country during extension period)	No changes

¹² MD and GE

¹³ UA

¹⁴ AM, GE, MD

¹⁵ Code of Ethics is not adopted in Armenia, only ISAs; ISAs are not adopted by Belarus

¹⁶ IFRS for SMEs adopted in AM, UA, AZ and GE; improved NASs for various categories of non-PIEs adopted in GE and MD

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
	PIEs/SMEs (through adoption of IFRS for SMEs or aligning NASs to the requirements of the accounting <i>acquis</i>) adopted					
11	National Register of auditors and audit firms is available to public	No. of countries	1 ¹⁷	5 ¹⁸	5	No changes
12	Availability of translated standards	No. of countries	n/a	IFRS: 6 countries ^{19,20} IFRS for SMEs: 4 ²¹ countries ISAs (IAASB) and Code of Ethics (IESBA): 4 countries ²²	IFRS: 6 countries IFRS for SMEs: 4 countries ISAs (IAASB) and Code of Ethics (IESBA): 5 ²³ countries	No changes

¹⁷ UA

¹⁸ MD, UA, GE, BY, AZ

¹⁹ In Belarus the official Russian version translation is used

²⁰ The latest version of IFRSs translated into Ukrainian and Armenian is as of 2017 and 2012 respectively

²¹ The latest version of IFRS for SMEs translated into Ukrainian is as of 2009; in Azerbaijan it is under translation

²² The latest version of the Code of Ethics (2018) translated into local language is not available in any of countries, i.e. MD (2015); GE (2016); UA (2012); AZ (2015)

²³ Adoption of ISA is expected in BY by the end of 2019

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
COMPONENT 4 – FINANCIAL SECTOR						
13	Reconciliation approach to apply prudential filters between equity and regulatory capital is in place including legal provisions and their application and review by banking supervisors	No. of countries	1 ²⁴	4 ²⁵	4	No changes
14	Banking regulators regularly review the annual financial statements prepared under IFRS and discuss the audit with the auditors following a risk based approach	No. of countries	1 ²⁶	6 ²⁷	6	No changes

²⁴ UA

²⁵ ARM, UA, AZE, GE

²⁶ MD

²⁷ However, BY reported that banking supervisor doesn't review the FSs, only discuss the audit of FSs of banks with the auditors

#	Indicator	Unit of Measure	Baseline Value	Actual Value as of November 30, 2018 (original plan)	Target Value, revised	Actual Value as of December 31, 2019 (project extension)
15	Tools for enhanced banking supervision developed and disseminated	No. of publications	0	2	2	No changes

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