

Evaluation of reforms in Corporate Financial Reporting  
(CFR) in the Kyrgyz Republic in the period of 2017 to  
2021 supported by the Kyrgyz Audit and Financial  
Reporting Enhancement Project (KAREP)

Presentation to the Closing Conference

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# The Evaluation

- An independent assessment of (a) the progress of the CFR reforms and of (b) the contribution of KAREP to the reforms
- Evaluation criteria covering the full results chain: relevance, coherence, effectiveness, efficiency, impact, sustainability and lessons learned.
- 43 specific evaluation questions
- Evaluation conclusions are based on a mix of (a) full review of available KAREP documentation and (b) remote interviews with the KAREP implementation partners and with the main stakeholders in the CFR framework
- The evaluation was conducted in the period from November 2021 to March 2022.

# The overall evaluation conclusions

There is significant progress across the main **Kyrgyz CFR reform** pillars:

- (1) an *improved legal framework*, including adoption in full of the international financial reporting standards and auditing standards, has been adopted;
- (2) an *improved education system* delivered through the SRSFM, Professional Accounting Organisations (PAOs) and the Universities and leading to improved qualifications for accountants and auditors as set out in law, is defined;
- (3) an *improved system for audit regulation*, which meets international standards, is ready to start later in 2022; and
- (4) there is a better *understanding and acceptance* of the respective roles of the SRSFM as regulator, the Professional Accounting Organizations (PAO) as professional service providers for accountants and auditors and the Universities for their role in accounting and audit education.

## Performance of **KAREP**

KAREP has *achieved its overall objective* of strengthening the CFR framework to provide a strong foundation for the remaining elements of the CFR reforms to be delivered in the medium term

# KAREP evaluation conclusions – key points

## RELEVANCE

- The design of KAREP fully covered the elements of the CFR framework.
- The KAREP Components were defined well for shared implementation leadership between the Bank and the SRSFM teams.

## COHERENCE (with other reform initiatives)

- Strong synergy and added value was achieved through collaboration with the IFAC/ICAEW project.

# KAREP evaluation conclusions – key points

## EFFECTIVENESS

- The new legal framework, including by-laws, is an important KAREP outcome.
- Stronger PAOs are applying for enhanced IFAC membership based on improvements to their services supported by KAREP.
- ACCA recognition of University subject credits moves the Kyrgyz CFR education standard closer to international recognition.
- Launch of the new audit regulation system was delayed by late enactment of the new laws, but the supporting technical assistance was fully delivered.

# KAREP evaluation conclusions – key points

## EFFICIENCY

- External implementation delays led to late delivery of the legal framework which reduced some outcomes.
- Adjustments to implementation arising from COVID-19 restrictions were appropriate and minimised the disruption to delivery of KAREP outputs.
- Project management and the quality of progress reporting was good.
- Training of accountants, auditors, regulators and preparers of financial reports on the international standards exceeded the targets and increased awareness of the reforms among stakeholders.
- The SE/SOE pilot support to preparing better financial supports are a useful basis for expanding this activity in the next reform phase.

# KAREP evaluation conclusions – key points

## **IMPACT (positive effects on the beneficiaries)**

- The CFR leadership role of SRSFM is clearly defined and accepted by all stakeholders.
- The audit regulation system is ready to start later in 2022.
- The UAA/IPAA services to their accounting/auditor members are enhanced in the context of applying for full/associate IFAC membership.
- University curricula and delivery of accounting and audit subjects are enhanced. PAOs expressed an intention to also seek ACCA subject exemptions.
- The public depository for financial statements is an important step towards wider use of audited financial information.

# KAREP evaluation conclusions – key points

## SUSTAINABILITY

- There is an understanding and a commitment to the CFR framework by the government but more external donor assistance is needed to continue with the CFR reforms.
- The next phase of CFR reform will need to address the steps to achieve the financial sustainability of the CFR framework, including the cost of translating new standards into the local Kyrgyz language.
- Institutional sustainability will depend on how well the primary CFR stakeholders work together. This should be emphasised in the next phase of the reforms.
- The SOEs could play a “lead-by-example” role by publishing an improved quality of their audited financial statements.



# Final evaluation comments

- The KAREP project delivered a substantial amount of quality outputs (analysis, methodology guidance, training on IFRS and Auditing standards, technical support, and support to the legal framework improvements) within a short period of time.
- All persons interviewed for the evaluation displayed an understanding of the benefits to the country and the costs involved in improving the CFR framework and confirmed their commitment to the reforms.
- The professional quality of the preparers of financial reports and of the accounting firms interviewed was high and they also expressed a full commitment to the reforms.
- The next stage of reform needs to keep the momentum that KAREP has managed to create for a rapid implementation of the new legal provisions.