



**STAREP**  
**Annual Update**  
**Progress Report 2022**

# CFRR»

**Centre for Financial  
Reporting Reform**



**WORLD BANK GROUP**

Centre for Financial Reporting Reform (CFRR),  
Governance Global Practice,  
Europe and Central Asia Region, The World Bank  
Address: Praterstrasse 31, 1020 Vienna, Austria  
Web: [www.worldbank.org/cfrr](http://www.worldbank.org/cfrr)  
Email: [cfrr@worldbank.org](mailto:cfrr@worldbank.org)  
Phone: +43-1-217-0700

© 2023 International Bank for Reconstruction and Development / The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

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# TABLE OF CONTENTS

<b>LIST OF ACRONYMS .....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>ACTIVITIES AND PROGRESS .....</b>	<b>5</b>
Introduction .....	5
2022 Progress and Reform Status .....	5
<b>PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES .....</b>	<b>11</b>
Program Governance and Partners .....	11
Financial Information .....	12
<b>ANNEX 1. PROGRAM BACKGROUND .....</b>	<b>13</b>
Context .....	13
Program Development Objective .....	14
Program Approach and Structure .....	14
<b>ANNEX 2. RESULTS FRAMEWORK .....</b>	<b>16</b>



# LIST OF ACRONYMS

<b>ACCA</b>	Association of Chartered Certified Accountants (UK)	<b>IFAC</b>	International Federation of Accountants
<b>ADA</b>	Austrian Development Agency	<b>IFRS</b>	International Financial Reporting Standards
<b>A&amp;A</b>	Accounting and Auditing	<b>ISA</b>	International Standards on Auditing
<b>A&amp;ACoP</b>	Accounting and Auditing Community of Practice	<b>MoF</b>	Ministry of Finance
<b>CFR</b>	Corporate Financial Reporting	<b>PAO</b>	Professional Accountancy Organization
<b>CFRR</b>	Centre for Financial Reporting Reform	<b>PIE</b>	Public Interest Entity
<b>CoP</b>	Community of Practice	<b>POB</b>	Public Oversight Body
<b>CPD</b>	Continuing Professional Development	<b>REPARIS for SMEs</b>	Road to Europe Program of Accounting Reform and Strengthening Institutions for Small and Medium Enterprises
<b>EaP</b>	EU Eastern Partnership	<b>ROSC</b>	Report on the Observance of Standards and Codes
<b>EduCoP</b>	Accounting Education Community of Practice	<b>SARAS</b>	Georgian Service for Accounting, Reporting and Auditing Supervision
<b>EU</b>	European Union	<b>SOE</b>	State-owned enterprise
<b>GFPA</b>	Georgian Federation of Professional Accountants and Auditors	<b>SME</b>	Small or Medium-sized Enterprise
<b>IASB</b>	International Accounting Standards Board	<b>SMP</b>	Small or Medium-sized Practices
<b>IAESB</b>	International Accounting Education Standards Board	<b>SOW</b>	Senior Officials Workshop
<b>IES</b>	International Education Standards for Professional Accountants	<b>STAREP</b>	Strengthening Auditing and Reporting in the Eastern Partnership
		<b>WB</b>	World Bank



# EXECUTIVE SUMMARY

*Strengthening Auditing and Reporting in the Eastern Partnership* is a regional program (hereinafter referred to as STAREP or the program) of the World Bank's Centre for Financial Reporting Reform (CFRR) for Eastern Partnership (EaP) countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, which was launched in October 2013, under TF072157 funded by the European Union. The Austrian Finance Ministry and Austrian Development Agency (ADA) provided support for an extension of the program, and additional funding agreement between the ADA and the WB was signed in October 2019 under TF072552, covering CY2020-2022.

The STAREP program launched and implemented critical reforms to improve the financial reporting frameworks in the beneficiary countries<sup>1</sup> for strengthening the financial management practices in the private sector and among state-owned enterprises, enhancing quality of business advice and auditing by the accounting and auditing profession; and supporting a more conducive business enabling environment and improved access to finance.

The COVID-19 pandemic impacted program implementation for both in-country activities and regional events that require face-to-face interaction; many program activities were undertaken virtually. Starting 2020 the activities were delivered using a mixed approach, virtually, to a large extent, and/or face-to-face when the situation allowed.

Among the key achievements under STAREP are:

- ❖ New Accounting and Auditing Legislation adopted in Armenia, Georgia, Moldova and Ukraine.
- ❖ New Accounting Law adopted in Belarus and Azerbaijan
- ❖ International Financial Reporting Standards (IFRS) adopted and required for public interest entities in all countries
- ❖ International Standards of Auditing (ISA) and Code of Ethics (IESBA) adopted in all countries
- ❖ Transposition tables benchmarked national legislation in the field of accounting and auditing to the relevant EU framework completed in Azerbaijan, Georgia, Moldova and Ukraine.
- ❖ Public Oversight Institutions established in Georgia and Moldova, Ukraine and in progress in Armenia
- ❖ Eleven universities in all STAREP beneficiary countries completed the profiling tool for curriculum updates
- ❖ Financial reporting frameworks were aligned with the European Union (EU) requirements and good international practice for non-public interest entities and Small and Medium-Sized Enterprises (SMEs) in Moldova and Georgia, including adoption of the IFRS for SMEs in Armenia, Azerbaijan, and Georgia.
- ❖ National register of auditors and audit firms established in Georgia, Moldova, and Ukraine.

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<sup>1</sup> Following the Russian invasion of Ukraine and hostilities against the people of Ukraine, the World Bank Group has stopped all its programs in Russia and Belarus with immediate effect  
<https://www.worldbank.org/en/news/statement/2022/03/02/world-bank-group-statement-on-russia-and-belarus>

- ◉ Availability of translated accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in most of participating countries.

The program also increased access to the learning materials and modern teaching methods, as well as developed and disseminated a number of tools for enhanced banking supervision.<sup>2</sup>

A joint Accounting and Auditing Community of Practice (A&A CoP) workshop, organized in Vienna, Austria on December 1, 2022, presented overall program results and some of the lessons learned during implementation. Beneficiary countries shared national achievements in the field of accounting and auditing that were supported by STAREP and highlighted the remaining challenges. There had been considerable progress as a result of the program, but the corporate financial reporting (CFR) agenda in EU Eastern Partnership countries still require significant attention and support to continue enforcement of initiated reforms or to launch new reforms in line with recent global initiatives, such as the EU sustainability reporting requirements. This includes addressing gaps in legal and regulatory frameworks, continued strengthening of institutional capacity, and the introduction of new requirements and standards in CFR, including the sustainability reporting standards.

In June 2022, Ukraine and Moldova were both granted the EU candidate status, and this would require significant support to ensure that the CFR reforms launched are implemented and that entire CFR ecosystem is operational.

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<sup>2</sup> The full range of STAREP activities and results can be found at <https://cfr.worldbank.org/programs/starep>



# ACTIVITIES AND PROGRESS

## Introduction

During 2022, STAREP continued to provide support to EaP countries to implement 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. The results of the program demonstrated that it had an effect in each country through adopting and revising legislation, and creating new institutions or building capacity of existing ones.

Some of the in-country activities continued to be delivered in partnership and close coordination with other donor-funded parallel projects, thus achieving synergy and providing access to up-to date knowledge and international good practice to a larger pool of beneficiaries. The detailed description of activities implemented in 2022 is provided below. **Annex 1** provides background and details on the program since it started in 2013 through its completion in December 2022. The program's updated results framework is attached in **Annex 2** which illustrates that all results indicators have been either achieved or over-achieved.

## 2022 Progress and Reform Status

### Update on Regional activities

Despite the challenging situation in the region resulting from the Russian invasion of Ukrainian, face-to-face meetings involving large groups have been resumed in 2022, with a number of other events delivered virtually. All the planned activities were done.

The following regional face-to-face and virtual workshops were delivered in 2022 by STAREP directly or in cooperation with the WB Road to Europe Program of Accounting Reform and Strengthening Institutions for Small and Medium Enterprises (REPARIS for SME) and the WB Public Sector Accounting and Reporting (PULSAR) programs.

### 1. Improved Transparency and Corporate Sustainability Reporting – New Developments in the EU

A two-day virtual webinar was delivered on March 30 and 31, 2022 jointly with REPARIS for SMEs program. Participants had the opportunity to learn about recent EU developments. The event was attended by over 200 participants each day, of which 43 from STAREP countries. The webinar was delivered in close cooperation with the European Commission (EU), the European Financial Reporting Advisory Group (EFRAG) and the European Securities and Markets Authority (ESMA) and it aimed to:

- ❖ update about proposed amendments in the EU linked to corporate sustainability reporting, which relate to accounting, auditing, and disclosures



and clarify what does the proposal mean for smaller companies. Sustainability reporting is a very broad discipline, ranging from jurisdictional requirements for companies to report on specific public policy objectives to investors' need for global comparability of sustainability-related financial disclosures. The topic is very important, and it would help to develop a more sustainable and inclusive economic system.

- provide information on new EU sustainability-reporting standards to be developed by the European Financial Reporting Advisory Group and understand how the EU reporting standards will fit with global standards which International Sustainability Standards Board plans to develop.
- inform how the European Single Electronic Format<sup>3</sup> is functioning, what legal requirements for listed companies are as well as enforcement challenges and impact.
- offer the opportunity to learn more on key issues with the current information on intangibles and provide an overview of the questions included in the *Discussion Paper Better Information on Intangibles – Which is the best way to go?* published by EFRAG. The Paper examines different approaches to enhance the current reporting and provides better information on intangibles.

## 2. Implementation of Recent Developments in International Education Standards (IESs) Workshop

On November 3-4, 2022, an online workshop on Implementation of Recent Developments in International Education Standards (IESs) was conducted for members of EduCoP of two regional programs: STAREP and PULSAR. The presenters were from the International Federation of Accountants (IFAC), the Association of Chartered Certified Accountants (ACCA), the Association of International Certified Professional Accountants (AICPA), the Institute of Chartered Accountants in England and Wales (ICAEW) and regional Professional Accountancy Organizations (PAOs) as well as academia. Around 80 participants per day took part in the webinar across 12 countries with 29 of them from STAREP beneficiary countries.

Key focus of the workshop was on the implementation of recent developments in the IESs for accountants, current challenges and opportunities in accountancy education, including education of sustainability standards, integrating the educational needs of public and private sector accountants, and improving understanding of the role of accountants in relation to anti money laundering (AML). The discussion of related topics and the latest challenges and opportunities for accountancy educators worldwide was conducted with involvement of leading experts in the field.

**As part of celebrating its 15th anniversary, the CFRR organized several events, of which STAREP contributed as follows:**

## 3. IFRS Regulators Forum: IFRS Update & Climate Financial Risks Matters

The forum was organized on November 29, 2022 in Vienna, Austria, as a joint STAREP and REPARIS for SMEs event, and was around the topics of sustainability and climate risks in addition to the traditional focus on International Financial Reporting Standards (IFRS). The IFRS Forum was organized in cooperation with the IFRS Foundation at the Federal Ministry of Finance of Austria and delivered jointly with the REPARIS for SMEs program. Forum also reviewed a publication "Informing the reading of IFRS financial statements: a guide for banking and financial supervisors" which provides insights for reading and reviewing financial statements of banks. The forum was attended by 23 participants, of which ten were from STAREP beneficiary countries.

## 4. Senior Officials' Workshop in Vienna, Austria on November 29, 2022

The workshop convened 144 (including 21 representatives of STAREP beneficiary countries) high-level delegates of key CFRR programs, including senior government officials and policy makers from program countries, international development partners, professional and academic speakers, and experts from key international and European Union institutions. The purpose of the event was to update

<sup>3</sup> <https://www.esma.europa.eu/issuer-disclosure/electronic-reporting>

policymakers on recent developments in financial and sustainability reporting and auditing in the private and public sectors; to sustain political support for related reforms; and provide an opportunity for networking and regional exchange of experience. The event was delivered jointly with PULSAR and REPARIS for SMEs programs.

## 5. The Ministerial Conference “Financial and Sustainability Reporting for Debt Transparency and a Resilient Recovery”

The conference took place at the Hofburg Palace in Vienna, Austria, on November 30, 2022. It was organized by the CFRR and was hosted by the Austrian Ministry of Finance. The conference convened 219 high-level delegates (including 32 representatives of STAREP countries), including Ministers of Finance from partner countries, senior government officials, international development partners, high-level representatives from the public and private sectors, professional and academic communities, and experts from key international and European Union institutions. The event was delivered jointly with PULSAR and REPARIS for SMEs programs. The key focus of the Ministerial Conference included: increasing role of sustainability reporting as enabler of environmental, social and governance ESG matters, showing risks and impacts both on companies and environment, society. Investing in in-house digital capabilities, including financial management, is key for crisis response. Ministerial discussion panel reflected that financial reporting is needed more than ever in multiple crisis including increasing debt, inflation, natural disasters, Russia’s invasion of Ukraine. Data storytelling guide presented during the conference presents features and tips for effective communication of financial data combining financial information with narrative, visuals, and comprehensible language.

## 6. A joint Accounting and Auditing Community of Practice (A&A CoP) workshop

The workshop took place on December 1, 2022. It was organized jointly with the WB REPARIS for SMEs and it convened 75 participants (of which 21 representatives

of STAREP beneficiary countries), including representatives of public oversight bodies, accounting and auditing regulators, and professional accounting associations.

The A&A CoP workshop offered participants an opportunity to interact directly with experts involved in drafting the European Sustainability Reporting Standards (part of the European Commission proposal for the Corporate Sustainability Reporting Directive) and discuss the impact of environmental, social, and governance (ESG) issues on the performance of SMEs.

The new European sustainability reporting framework aims to ensure that there is adequate publicly available information about the risks that sustainability issues present for companies, and the impacts of companies themselves on people and the environment (so called double materiality concept). The framework mandates that information in the sustainability report should be presented in a predefined format, using a new taxonomy, and be subject to audit so it is comparable, reliable, and easy for users to find and make use of with digital technologies. The goal is to help reduce systemic risks to the economy and to improve the allocation of financial capital to companies and activities that address social, health, and environmental problems. The reporting will make companies more accountable for their impact on people and the environment, thereby building trust between them and society.

Over the course of rich and wide-ranging discussions, A&ACoP participants agreed that SMEs have an important role to play on the sustainability agenda.

The workshop included updates for participants about: (i) the revised set of International Forum of Independent Audit Regulators (IFIAR) Core Principles, reflecting advancements in audit oversight since the IFIAR Core Principles were originally developed in 2011; (ii) IFIAR’s restructured Associate Member category; and (iii) the results of the 2021 Inspection Findings Survey, arising from IFIAR member regulators’ individual inspections of audit firms affiliated with the six largest global audit firm networks. The IFIAR Core Principles seek to promote effective independent audit oversight globally, thereby contributing to an overriding objective of serving the public interest and enhancing investor protection by improving audit

quality. Participants were given an insight into the practical application of the Core Principles from the perspective of Austria.

The event also discussed how the profession, with support from professional accounting organizations and IFAC, can prepare and build capacity to respond to new responsibilities and demand, in particular to serve SMEs; and the model role for small and medium sized practices in providing business support to SMEs, including digital technology and ESG responsibilities.

Since STAREP was closing on December 31, 2022, the workshop presented overall program results and some of the lessons learned during implementation since it started in 2013. Beneficiary countries shared national achievements in the field of accounting and auditing that were supported by STAREP, highlighted the remaining challenges, and expressed a need for further support from the CFRR in a form of a new program. There had been considerable progress as a result of STAREP, but the CFR agenda in the EU Eastern Partnership countries still require significant attention and support to continue enforcement of initiated reforms or to launch new reforms in line with recent global initiatives, such as the new EU sustainability reporting requirements. This included addressing gaps in legal and regulatory frameworks, continued strengthening of institutional capacity, and the introduction of new requirements and standards in CFR, including the upcoming sustainability reporting standards.

## 7. Joint Education Community of Practice (A&A CoP) workshop

On December 1, 2022, the 6th joint Workshop of PULSAR EduCoP and FinCoP with participation of STAREP EduCoP members was conducted as part of CFRR Ministerial Conference. A half-day workshop in person was a follow-up event on the online webinar (conducted during November 3-4, 2022) devoted to updates in the International Education Standards and focused on main takeaways of the previous webinar; as well as on interactive and in-depth discussions of practical issues and challenges facing accountancy educators in the region. The event was attended by 76 participants (with 11 of them representing STAREP EduCoP).

## Update on Country-level Support

The CFRR ensures close coordination and regular communication with the counterparts on ways of implementation of agreed priority activities. Specific progress achieved during 2022 is highlighted below.

Russian's invasion of Ukraine significantly shaped the program's workplans for 2022. Particularly, the Belarus in-country planned activities for 2022 were dropped. In the meantime, after some initial suspension, the Bank team and the Ukrainian counterparts were able to resume working on the program despite the challenging situation. In particular, the Bank team and the counterpart's joint efforts brought the physical presence of the Ukrainian delegation in the events devoted to the CFRR 15th anniversary during November 29-December 1, 2022. The following in-country activities were implemented:

### Armenia

STAREP supported the Chamber of Auditors and Accountants in updating the accounting and audit educational materials for the local accountancy qualification. STAREP also supported the Chamber in assessing the audit management software options and functional requirement specification for small audit firms, with a sample prototype prepared and tested.

In addition, a five-day face-to-face workshop was delivered during May 16-20, 2022 in Yerevan, Armenia on the IFRS 17 "Insurance Contracts" implementation for Armenian Regulators and Insurance Industry. The event was organized in cooperation with the Central Bank of Armenia (CBA). The event aimed at providing implementation support to the CBA and the insurance industry in applying IFRS 17, which became mandatory starting from January 1, 2023 and was attended by 18 participants, including representatives of the CBA, insurance companies and auditors. The workshop helped the Armenian regulators and the professionals to learn in-depth about objective, structure, and concepts of IFRS 17, transition to IFRS 17, Core IFRS 17 model, Premium allocation approach, Reinsurance, presentation and disclosures as well as about transition resources group. This was the first face-to-face workshop under STAREP conducted after the pandemic started.

## Azerbaijan

The Accounting Law and several related bylaws were benchmarked to the provisions of the Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings with an aim to compare existing legal framework to good international practice and to identify key gaps, if any, and area for improvement. Similarly, The Auditing Law and several related bylaws were benchmarked to the provisions of the European Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and Regulation No 537/2014 on specific requirements regarding statutory audit of public-interest entities. Detailed assessment and key conclusions were delivered to the MoF.

A five-day workshop was delivered on May 23-27, 2022 in Baku on implementation of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The event was organized in cooperation with the Ministry of Finance of Azerbaijan. The training was attended by 43 participants, including relevant staff of the Ministry of Finance, professional accounting and audit associations, preparers of the IFRS for SMEs financial statements from the SME sector as well as representatives of academia. The event aimed to enhance understanding of the key judgments management must make in implementing the IFRS for SMEs and on reporting and disclosures requirements. Presentations were supported by practical examples and case studies and covered the following key areas: (i) introduction and underlying concepts; (ii) presentation, disclosure and measurement; (iii) fair value measurement and non-financial assets impairment; (iv) financial instruments and non-financial liabilities; (v) consolidations, financial performance and first-time adoption.

## Georgia

All planned activities were done. STAREP continued to support capacity development of SARAS and GFPAA. Particularly, GFPAA was supported in updating its accounting and audit educational materials for the

local accountancy qualification. In addition, an XBRL feasibility study was conducted in response to a request from the Georgian Service for Accounting, Reporting, and Auditing Supervision (SARAS).

Activities planned for distribution of accounting educational materials to universities and workshop on teaching methodology were implemented under another WB implemented project (Georgia Financial Inclusion and Accountability project).

## Moldova

With the purpose of further enhancement of the Professional Audit Qualification a virtual dissemination event was delivered on February 17, 2022 to present the key findings and recommendations of the Advisory Note on Professional Auditor Qualification in Moldova. The aim of the event was to discuss the findings and proposed recommendations and to agree with key stakeholders on implementation support that could be provided under STAREP, and it was attended by members of the Certification Commission, Public Oversight Committee, and executive staff of the Council for Public Oversight of Audits in Moldova (CSPA).

In addition, following the request of the CSPA, STAREP team provided additional information and practical insights on continuing professional development monitoring and on the EU Equivalence and Adequacy requirements. A Guide addressing some of the recommendations included in the Advisory Note and that can be applied without the necessity of amending the existing legislation was developed with STAREP support and delivered to the CSPA. However, making some amendments to the Regulation on Auditors' Certification, approved by the CSPA in 2019, is still recommended for full alignment with the good international practice of applying the IESS.

The 2022 plan included local face to face inspection/enforcement workshops as well as peer exchange events for the relevant staff of Public Oversight Council, while the pandemic situation in the country did not allow sufficient time to implement face-to-face activities. Meanwhile, the CFRR team has initiated the

discussions with IFAC to provide the Public Oversight Council and its Examination Commission the right of use of a set of learning materials, including question and answer bank. These learning materials were developed as part of the Kyrgyz Audit and Reporting Enhancement Project (KAREP) and are available in Russian language. STAREP team helped to clarify all technical questions with the IFAC, and the agreement between the CSPA and IFAC was signed in November 2022.

## Ukraine

Per request from the Audit Public Oversight Body (APOB) of Ukraine, STAREP provided support in setting up cooperation of the supervisory body with the Committee of European Auditing Oversight Bodies (CEAOB) aiming to:

- ❖ Facilitate APOB`s involvement in the Committee`s work where possible according to the CEOB Statutes; and
- ❖ Identify requirements and action plan for the CEOB to conduct a technical assessment of Ukraine`s audit oversight system to determine its adequacy and equivalence to the EU system

Despite the challenging situation in the country, ongoing participation in expert groups` meetings and discussions on strengthening accounting and audit legislation were held, including providing support to adopt the two below draft laws amending the law on Audit and Audit Activity in Ukraine:

- ❖ On provision of audit activity in the WAR state (adopted on May 31, 2022, enacted on June 17, 2022); and
- ❖ On strengthening legal provisions for carrying out audit activity in Ukraine (adopted on September 20, 2022, to be enacted on January 1, 2023)

## Belarus

Following the Russian invasion to Ukraine, the program activities in Belarus were dropped, which however did not affect the achievement of the project

development objectives. The funds planned for 2022 for Belarus in-country support was allocated to activities in other STAREP beneficiary countries as well as for regional events that were not initially planned under STAREP for 2022 (such as the Ministerial Conference and related events).

Areas where STAREP participating countries need further assistance to continue enforcement of initiated reforms or to launch new reforms in line with the recent global initiatives are as follows:

- a. Further approximation of financial reporting, audit, public oversight & quality assurance and sustainability reporting requirements to the EU provisions and good international practice.
- b. Enhancing monitoring and enforcement systems - continue development of public oversight and quality assurance systems for statutory audits and the enforcement of international standards (financial reporting, auditing, quality management, sustainability, ethics).
- c. Ensuring public availability of financial statements and implementation of eXtensible Business Reporting Language (XBRL)<sup>4</sup> digital reporting standard.
- d. Ensuring the functionality and efficiency of the Audit Committees established by Public Interest Entities.
- e. Improving governance systems of State-Owned Entities, with particular focus on financial and debt transparency.
- f. Access to timely updated learning materials for aspiring accountants and auditors as well as for continuing development resources for professional accountants.
- g. Guidance and training for SMEs and Small and Medium-Sized Practices (SMPs) on accounting, sustainability and auditing standards.

The above areas are included in a new program proposal (*Enhancing Accounting, Auditing and Sustainability Reporting Program - EAASURE*), which is being discussed for potential donor funding.

<sup>4</sup> <https://www.xbrl.org/>





# PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES

## Program Governance and Partners

STAREP was managed by the World Bank Centre for Financial Reporting Reform (CFRR). 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 program's priorities, planned activities, as well as the progress made are discussed with STAREP countries' beneficiaries and donors.

Financial support for STAREP and its activities had been provided from 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 REPARIS MDTF, the STAREP

was made possible with the contribution from the Austrian Ministry of Finance (under original TF 071151). As of the date of this report, the SDTF with the European Commission has been fully utilized and closed in 2019. The MDTF was replenished in 2019 with a contribution of EUR 1.3 million by the Austrian Development Agency (under TF 072552 parallel to the original TF071151) allowing for the program extension. All activities under STAREP have been completed, and the program was closed on December 31, 2022.

Under the originally EU funding, the Program was structured along five thematic components: (1) Reform Momentum and Support, (2) Accounting Education Reform; (3) Accounting and Auditing Standards, (4) Financial Sector Practice Forum, and (5) Country-level Implementation Support, which were all completed. The program extension with funding from the Austrian Development Agency was focused on regional as well as country-level activities - with details laid out in **Annex 1**. The key team members of the program include:

## Program Management

**DANIEL  
BOYCE**

Practice  
Manager

**GARIK  
SERGEYAN**

Senior Financial Management  
Specialist, Task Team Leader

**ANDREI  
BUSUIOC**

Senior Financial  
Management Specialist

**REINHARD  
HASLINGER**

Senior Operations  
Officer, TF manager  
(until June 30, 2022)

**ARUN  
MANUJA**

Senior Financial  
Management Specialist,  
TF manager  
(since July 1, 2022)

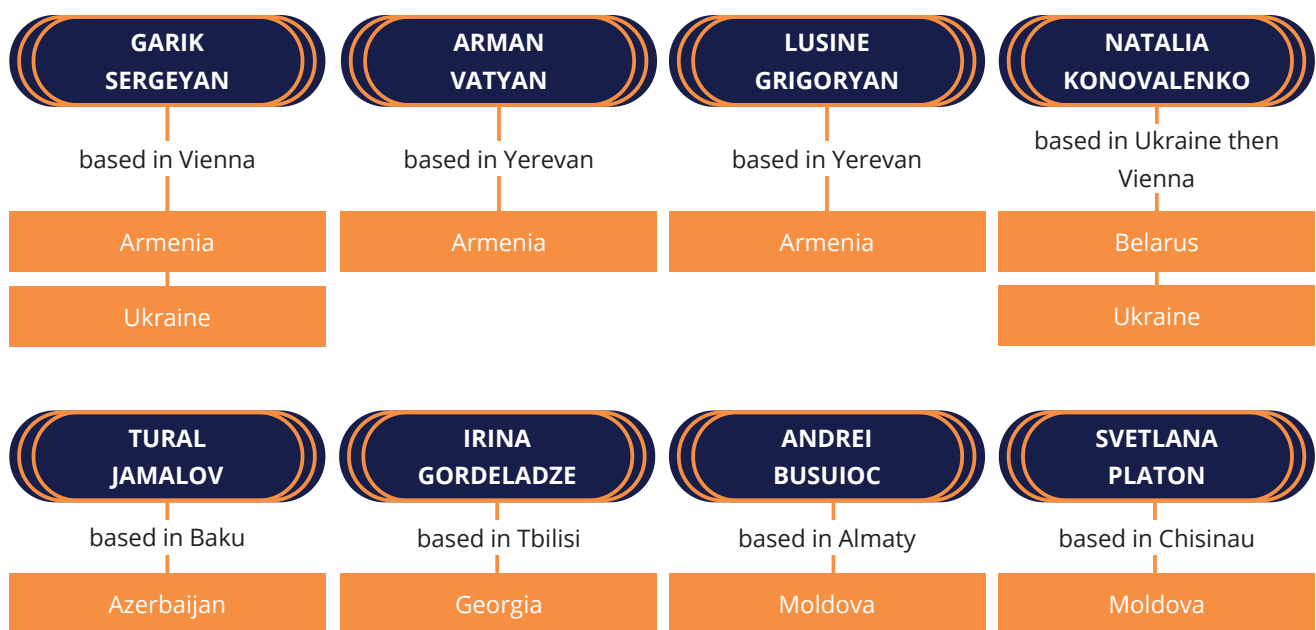
**ANARA  
TOKUSHEVA**

Program  
Assistant

**IRMA  
KHATIASHVILI**

Program  
Assistant

## Country-relationship responsibilities



## Financial Information

Financial information can be made available upon request.



# PROGRAM BACKGROUND

## Context

The countries of the EU's Eastern Partnership (EaP), Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, initiated corporate financial reporting (CFR) reforms in the 1990s, with the support of the development community. These efforts have led to some progress in building a nascent accounting profession. The countries have shown their commitment to developing their market economy using the EU framework as the benchmark for shaping their reforms. However, they lack capacity on a wider range of issues for the regulators and profession to fully fulfill its mandate. Since 2004, the World Bank has conducted reviews of accounting and auditing standards and practices in the Black-Sea/ South-Caucasus countries through the Reports on the Observance of Standards and Codes (ROSC) on Accounting and Auditing. These reports have been prepared in close cooperation with the authorities and following a participatory process involving all key in-country stakeholders. The ROSCs identify a number of issues and offer a number of policy recommendations to equip the countries with corporate financial reporting practices which are conducive to enhanced competitiveness and private sector-led growth and led to a few initial activities.

Within this context, the STAREP was established in 2013 to help the EaP countries to address the above shortcoming and to support their CFR reforms, including building capacity in accounting and auditing, developing and implementing an institutional framework for corporate financial reporting in accordance with international accounting, auditing

and accounting education standards. Progress towards achieving these aims is measured using a results framework, which sets out the intended outcomes supporting the overall development objective, the means of achieving these, and the method of assessment.

The STAREP 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. Since the program inception almost 2,400 participants cumulatively attended communities of practice (CoP) for senior officials, Accounting and Auditing Education CoP, Accounting and Auditing CoP, 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 results of the program is demonstrated in each country through adopting and revising legislation, and creating new institutions or building capacity of existing ones.



A review of the cumulative achievements under the program, it shall be noted that the STAREP program helped to 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.

## Program Development Objective

Improved financial reporting contributes to financial sector stability, however, lack of regulatory capacity limits effective supervision of banks, insurance companies, and other financial institutions. Moreover, improved financial reporting opens new perspectives and opportunities for investments and credit activities, however, the underdeveloped practice and lack of sound financial information available to lenders and investors limit financial intermediation. Financial reporting plays an important role in supporting governance and tax administration reforms; and a clearly defined accounting system are required to determine taxable income in a transparent, predictable, and cost-effective manner.

The higher-level objective of the program was to improve corporate financial reporting practices. Specifically, STAREP built capacity among and assist the accounting and auditing profession, regulators, students, and other stakeholders to develop and practice an institutional framework for corporate

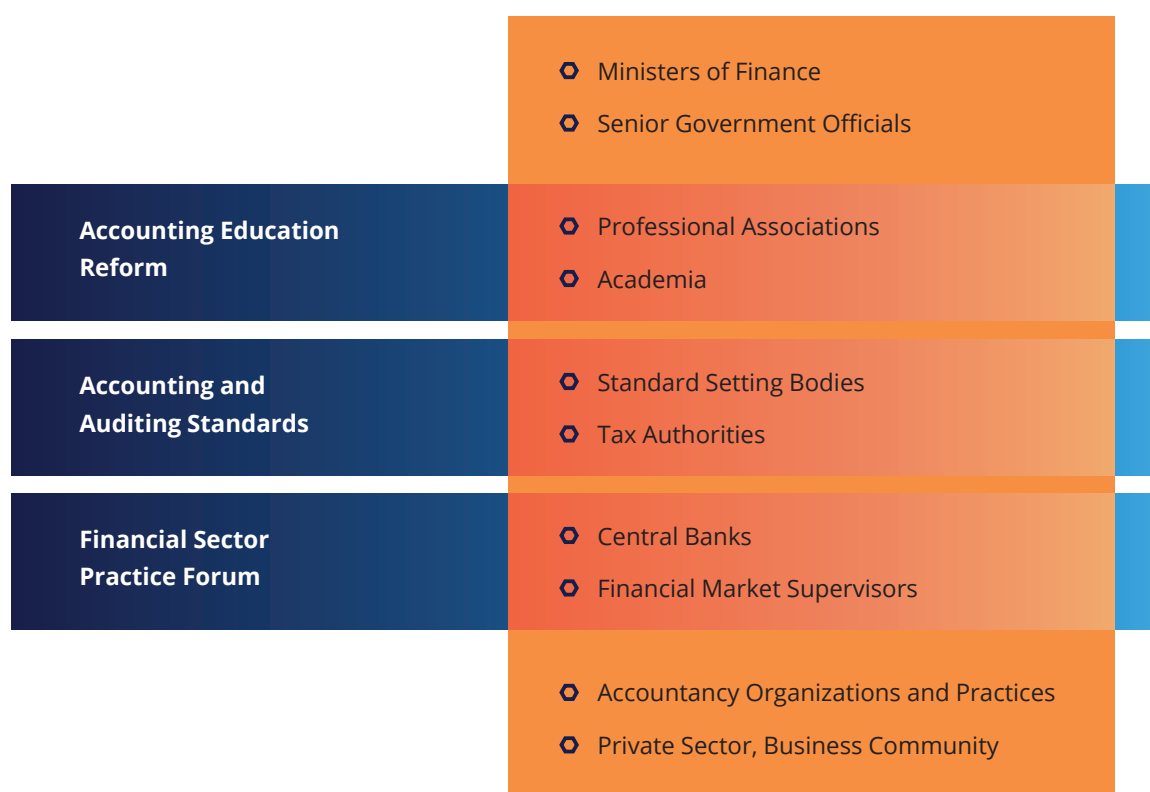
financial reporting in the countries of the EU's Eastern Partnership, which is in accordance with international accounting, auditing, and accounting education standards.

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 program particularly focused on transparent policy environment and effective institutional framework for corporate reporting in participating countries. It also supported the reforms that have been launched by the countries but not yet completed and require additional support and resources. It is important to mention that all STAREP participating countries are committed to the next reform steps, even those countries that are not technically bound by association agreements with the EU.

## 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 STAREP program in October 2013, and it was active till December 31, 2022. The program helped participating countries to design and carry out reforms in corporate financial reporting. STAREP built on the analysis and recommendations of the A&A ROSC program. It took 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.

**FIGURE 1.** STAREP Program Target Groups



STAREP delivered through a combination of knowledge and peer learning activities and country-level support to facilitate implementation. Activities included: (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, development of methodologies and analytical work, as well as hands-on assistance. Through expert presentations and professional facilitation, the program provided integrated advisory services, effective knowledge management, support to drafting of legislation and bylaws, implementation support and hands-on assistance, and monitoring and evaluation assistance to the beneficiary countries.

The program put a heavy focus *on learning from each other's experiences*. Regional knowledge transfer and experience-sharing activities achieved 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 helped to facilitate communication and peer exchange.

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

# RESULTS FRAMEWORK

**Program Development Objective:** Enhanced approximation with EU norms and application of international standards for corporate financial

reporting in EU Eastern Partnership countries, by building the capacity of relevant practitioners, policymakers, and stakeholders.

**TABLE 1.** Results Framework – All targets were either achieved or overachieved.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of 31.12.2022
A	Progress in updating legal framework that are in line with the EU framework and good international practices	No. of countries <sup>5</sup>	0	5 (including additional 2 countries during extension)	5 (including additional 2 countries during extension) Achieved
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 elements in line with good international practice and EU framework	N/A	1080 beneficiaries [6 countries x 6 representatives x 6 events per year x 5 years] (including additional 200 participants during extension period)	2394 Over-achieved
C	Public oversight systems established in line with the EU framework and operational	No. of countries	0	3 (additional 1 country during extension)	3 <sup>6</sup> Achieved

<sup>5</sup> 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 association agreement signed with EU, the indicator is measured through adoption of the minimum 50% of the listed requirements.

<sup>6</sup> Public oversight systems are functional in Georgia, Moldova and Ukraine.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of 31.12.2022
INTERMEDIATE OUTCOME LEVEL					
GENERAL					
1	Contributed to stakeholder involvement	Text	N/A	Senior officials and practitioners of all beneficiary countries regularly attend program events	Relevant senior officials and practitioners attended delivered webinars Achieved
2	Disseminated and facilitated exchange of good practice w/ clients	Text	N/A	All participating countries learning from EU member states or peer STAREP participants, applying good practices in practice (all 6 countries)	Representatives of participating countries continue learning on applying good international practice via delivered webinars Achieved
3	Public debate stimulated	Number of public discussions on new regulations / legislations held before new A&A legislation approved	0	12 (no additional debates are envisaged under extension)	21 Over-Achieved
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 Achieved
5	Increased access to the learning materials and modern teaching methods	No. of publications	0	2	4 Over-achieved

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of 31.12.2022
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 (publication and dissemination of strategies and action plans will be facilitated during program extension)	6 National accounting education initiatives and action plans are now available on CFRR's website Achieved
<b>COMPONENT 3. ACCOUNTING &amp; AUDITING STANDARDS</b>					
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	3	4 <sup>7</sup> Over-achieved
8	IFRS adopted and applicable for PIEs	No. of countries	3 <sup>8</sup>	6	6 Achieved
9	ISAs (IAASB) and Code of Ethics (IESBA) adopted	No. of countries	4	6 (including 1 additional country during extension period)	6 Achieved
10	Suitable financial reporting framework aligned with EU requirements and good international practices for non-PIEs/SMEs (through adoption of IFRS for SMEs or aligning NASs to the requirements of the accounting <i>acquis</i> ) adopted	No. of countries	0	5 (including 1 additional country during extension period)	5 <sup>9</sup> Achieved

<sup>7</sup> Transposition tables were prepared by MOF of Georgia, Ukraine and Moldova as part of improving accounting and auditing legal framework event; these are integrally or partially published. Ukraine decided not to publish the transposition tables, however they are updated and used in updating the legislation on accounting and audit. The STAREP team also helped the MoF of Azerbaijan to prepare transposition tables for future use in improving the accounting and audit legislation as a reference to a good international practice.

<sup>8</sup> Armenia, Georgia, Moldova

<sup>9</sup> IFRS for SMEs adopted in Armenia, Azerbaijan Georgia and Ukraine; improved NASs for various categories of non-PIEs adopted in Georgia, Ukraine and Moldova.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of 31.12.2022
11	National Register of auditors and audit firms is available to public	No. of countries	1 <sup>10</sup>	5	5 <sup>11</sup> Achieved
12	Availability of translated standards	No. of countries	N/A	IFRS: 6 countries IFRS for SMEs: 4 countries ISAs (IAASB) and Code of Ethics (IESBA): 5 countries	IFRS: 6 countries IFRS for SMEs: 4 countries ISAs (IAASB): 6 countries Code of Ethics (IESBA): 6 countries Over-Achieved
<b>COMPONENT 4. FINANCIAL SECTOR</b>					
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 <sup>12</sup>	4	4 <sup>13</sup> Achieved
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 <sup>14</sup>	6	6 <sup>15</sup> Achieved
15	Tools for enhanced banking supervision developed and disseminated	No. of countries	0	2	3 Over-Achieved

<sup>10</sup> Ukraine

<sup>11</sup> Azerbaijan, Belarus, Georgia, Moldova, Ukraine

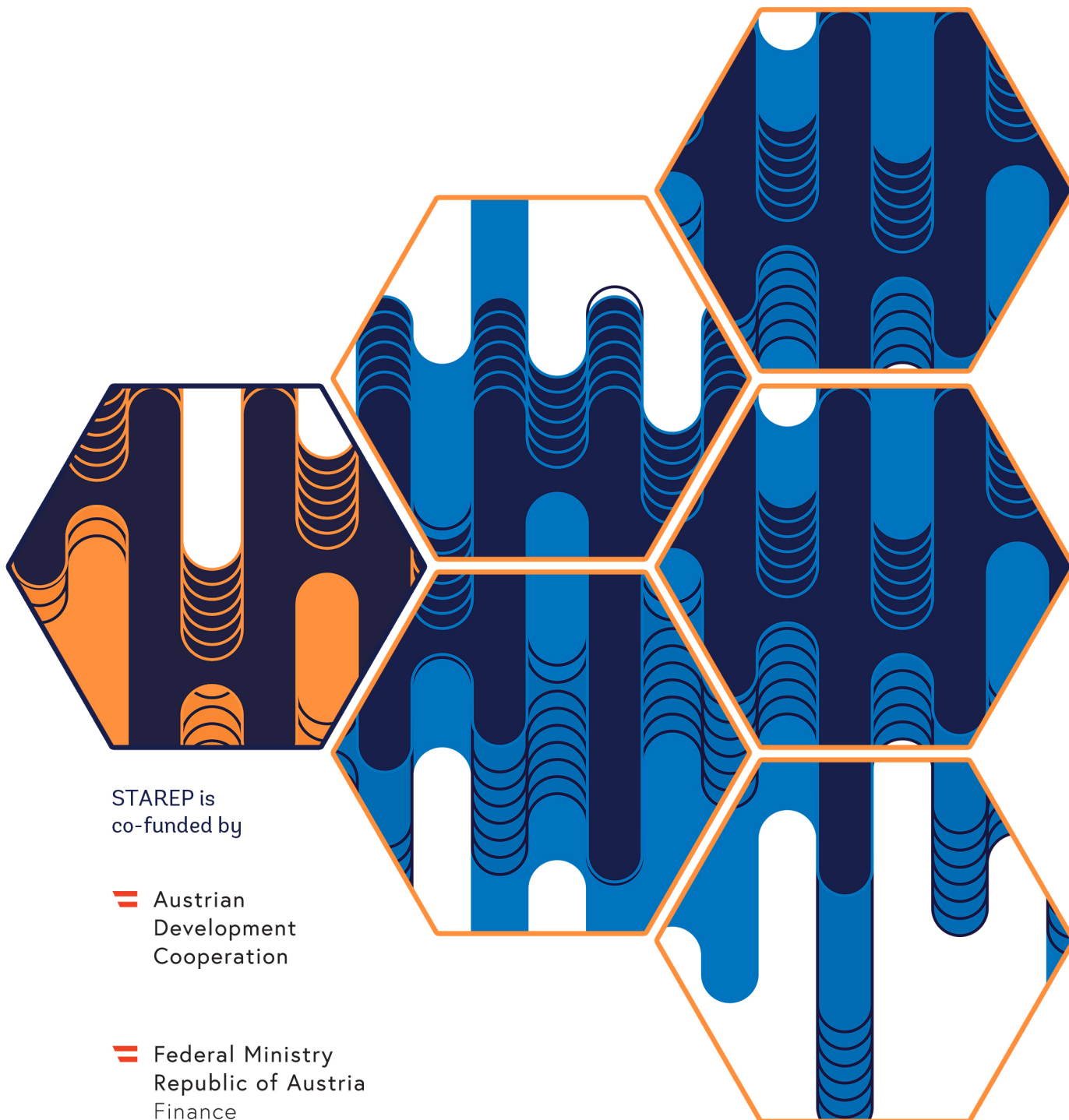
<sup>12</sup> Ukraine

<sup>13</sup> Armenia, Azerbaijan, Georgia, and Ukraine

<sup>14</sup> Moldova

<sup>15</sup> However, Belarus reported that banking supervisor doesn't review the FSs, only discuss the audit of FSs of banks with the auditors.





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