

HELPING WESTERN BALKAN COUNTRIES GET AHEAD WITH SUSTAINABILITY REPORTING AND CORPORATE GOVERNANCE

OVERVIEW

Climate change is a critical challenge, and many countries are introducing sustainability requirements as part of their financial reporting to better understand and address companies' impacts. The European Union (EU), for example, requires all large and most listed companies to disclose information on the risks and opportunities arising from environmental, social, corporate governance (ESG) issues, and how their activities affect people and the environment. In November 2023 the [European Commission adopted a new Growth Plan for the Western Balkans](#), with the aim of bringing partners closer to the EU. These countries are working towards greater alignment with the EU acquis, including on financial and sustainability reporting (SR) with support from the World Bank. Audit committees are required for Public Interest Entities (PIEs) by the Statutory Audit Directive (SAD). For many Western Balkan (WeBa) countries, audit committee practices are underdeveloped, while SR is a new reform agenda item. A series of knowledge exchange events organized by the World Bank's [Centre for Financial Reporting Reform \(CFRR\)](#) across the region, is helping to boost WeBa countries' knowledge and capacity of these new requirements and how these new changes will impact them. Empowered with this knowledge and knowing how to use it is critical to help bring them one step closer to greater EU alignment.

BENEFICIARY

The success of the events were measured by the overwhelming positive responses* from participants which included the following:



*A survey was conducted following the events in which participants provided anonymous feedback. The responses above reflects some of the positive feedback provided by participants.

APPROACH

Between November 2022 - October 2024, CFRR organized six conferences across the region, focused on SR and the role of audit committees for over 830 WeBa stakeholders. Participants included board members, audit committee members, auditors, internal auditors, certified accountants, academics, and representatives from state regulators and authorities in accounting, auditing, public oversight, banking, and insurance. [EFRAG](#) (EU Advisory Group) and EU were actively involved throughout.

The events were organized in close partnership with local professional accounting associations and corporate financial reporting regulators, showcasing the power of collaboration. It featured 49 local experts (23 in SR and 26 in corporate governance) who shared their views, good practices, and challenges from diverse perspectives. The sessions featured both accounting and auditing practitioners, audit committee members, academia, and representatives of Ministries of Finance which enriched the discussions and provided a comprehensive understanding of the topics. The involvement of an EFRAG representative in each event provided a unique opportunity for participants to interact directly with the authors of ESRS, gaining insights into key concepts such as double materiality and value chain.

CHALLENGE

With the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) companies in the EU will have to disclose their business strategy on sustainability. For many countries in the WeBa, this will be especially challenging when these standards are implemented. Many of these companies need to ensure adequate professional competences within the accounting and auditing profession, corporate governance, and how to embed sustainability strategies into the broader business strategies. Building capacity to understand the importance of SR is critical to help companies understand the financial impact of climate risks, regulatory requirements, and the business environment to prepare for the changes.



As WeBa countries work towards greater alignment with EU regulatory framework, understanding and transposing the EU corporate SR requirements into national legislation will allow local entities, particularly large State-Owned Enterprises (SOEs), sufficient time to establish appropriate systems and skills to comply with the EU requirements and ESRS, and deepen EU market access. The adoption of an improved legal framework in line with the EU acquis (including SR) is a key indicator under the CFRR's REPARIS for SMEs regional program. These conferences supported WeBa counterparts across the public and private sector to explain why this is important, and what impact it will have.



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IMPACT



Brought together a diverse group of stakeholders and experts and significantly advanced understanding of the EU SR requirements and corporate governance in the WeBa.



The involvement of EFRAG and the EU reinforced credibility and highlighted the importance of aligning with EU acquis in the field of corporate financial and SR, including the role and functions of an audit committee.



The events fostered valuable networking and collaboration, ensuring ongoing engagement and capacity building among key stakeholders.



CFRR Sustainability Reporting Conferences for the Western Balkans

- [Tirana, Albania, November 10, 2022](#)
Attended by participants from Kosovo
- [Belgrade, Serbia, May 11, 2023](#)
- [Skopje, North Macedonia, November 11, 2023](#)
- [Ulcinj, Montenegro, May 2024](#)
- [Banja Luka, Bosnia and Herzegovina, September 27, 2024](#)
Attended by participants from Brčko District.
- [Sarajevo, Bosnia and Herzegovina, October 02, 2024](#)



Local Partners

- Association of Accountants and Auditors of Republika Srpska
- Chamber of Auditors of Federation of Bosnia and Herzegovina
- Institute of Certified Accountants of Montenegro
- Institute of Certified Auditors of Republic of North Macedonia
- Kosovo Council for Financial Reporting
- Ministry of Finance, Albania
- Ministry of Finance, Serbia
- Society of Certified Accountants and Auditors of Kosovo
- Union of Accountants, Auditors and Financial Workers of Federation of Bosnia and Herzegovina

ABOUT THE PROJECT

The Road to Europe Program of Accounting Reform and Institutional Strengthening for Small and Medium Enterprises (REPARIS for SMEs) aims to support: (i) further improving access of SMEs in the Western Balkans to professional accounting and financial management services, and (ii) alignment of Western Balkan corporate financial reporting frameworks with relevant directives and regulations of the European Union (EU). Program beneficiaries are Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. REPARIS for SMEs is funded by the EU. REPARIS for SMEs builds on progress made under the completed EU-REPARIS Program (2015-2019). It is delivered by the [World Bank Centre for Financial Reporting Reform \(CFRR\)](#) based in Vienna, Austria in close cooperation with World Bank Country Offices in the beneficiary countries. Program activities include training, learning events, and technical assistance provided to public officials, regulators, accountants, auditors, professional accounting organizations, business support organizations, and chambers of commerce.



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