

# Road to Europe: Program of Accounting Reform and Institutional Strengthening for Small and Medium Enterprises (REPARIS for SMEs)

Pascal Frèrejacque

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**Centre for Financial  
Reporting Reform**



Road to Europe: Program of Accounting  
Reform and Institutional Strengthening



EU-REPARIS is funded by the  
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# Story of the REPARIS Program

## 2006: Advanced Program in Accounting and Auditing Regulation

The programs offered distance-learning modules designed in response to a perceived need for training in the private sector accounting and auditing area, which was identified through the World Bank's Reports on the Observance of Standards and Codes (ROSC) in countries of South Central and South Eastern Europe.

## 2008 - 2014: REPARIS

The program aimed at creating a transparent policy environment and effective institutional framework for corporate reporting aligned with the EU acquis within South Central and South East Europe.

## 2015 - now: EU-REPARIS

The program continues to support EU enlargement candidate, and potential candidate, countries in Southeast Europe (Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, Serbia) align their legislative framework more closely with the EU.

**CONTEXT**



## Statement of Problem

- » Despite recent enhanced economic growth and better employment rates in the six Western Balkan countries, **the region needs to enhance competitiveness.**
- » In the post-financial crisis period, growth and employment level stagnated in the Western Balkans, hampering **convergence with EU standards of living.**
- » Slower convergence is partially attributed to **incomplete transition of the Western Balkans to a market economy.**

# Statistics behind the problem

- » The SME sector represents 99.8% of the number of enterprises and more than two thirds of the employment opportunities critical to jobs, and opportunities for growth and convergence of incomes in the Western Balkans to EU norms. According to the European Investment Bank (EIB), SMEs comprise a total of 99.7% to 99.9% of enterprises in the countries of the region and contribute to employment at rates roughly similar to the EU average of 67%, with some variation across countries and between 50 percent and 67 percent of the added value for all Western Balkan countries

	Albania*	Bosnia and Herzegovina	Kosovo	Macedonia	Montenegro	Serbia	EU
# of enterprises	98.70%	99.80%	99.90%	99.70%	99.80%	99.80%	99.80%
Employment	60.30%	66.30%	80.70%	75.60%	-	70.40%	66.90%
Value added	50.00%	61.60%	-	65.50%	67.2%	53.00%	57.80%
Turnover	55.50%	71.70%	-	67.70%	76.60%	-	-

\* For Albania, the contribution is for micro and small enterprises only



## Solution: Reform agenda for SMEs

- » **Growth in the SME sector** will be key in accelerating convergence of incomes in the Western Balkans with the EU.
- » Lack of investment readiness related to the **lack of skills in SMEs** is a key constraint to growth that needs to be addressed.
- » **Further alignment with the EU acquis and international standards** of financial transparency across the Western Balkans will help spur growth of national and regional financial markets.
- » In addition to broadening skills in SMEs and aligning laws and standards with the EU acquis, there is a need to **lay groundwork for deeper and more diverse financial markets** for better access to finance.
- » **Accountancy development** fosters efficient resource allocation, foreign direct investment, and growth.

# REPARIS FOR SMES



## Why REPARIS for SMEs?

- » REPARIS for SMEs responds to several priorities of the EU Commission discussed during the last Western Balkan Summit in July 2019 in Poznan, Poland and is aligned with existing World Bank strategies for the Western Balkans.
- » REPARIS for SMEs responds also to the priorities of current country partnership frameworks for the Western Balkans and the Governance Practice Strategy for ECA.
- » The Project builds on the lessons learned from the previous EU-REPARIS program and current activities of the FIN for SMEs-REPARIS project.
- » While much progress was achieved in improving institutional frameworks under the recently closed EU-REPARIS program in the Western Balkans, much work is still to be done to align and to implement the latest requirements effectively in Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, Serbia.



# Project Development Objective

» Project Development Objective is to:

Improve access of SMEs in the Western Balkans to professional accounting and financial management services

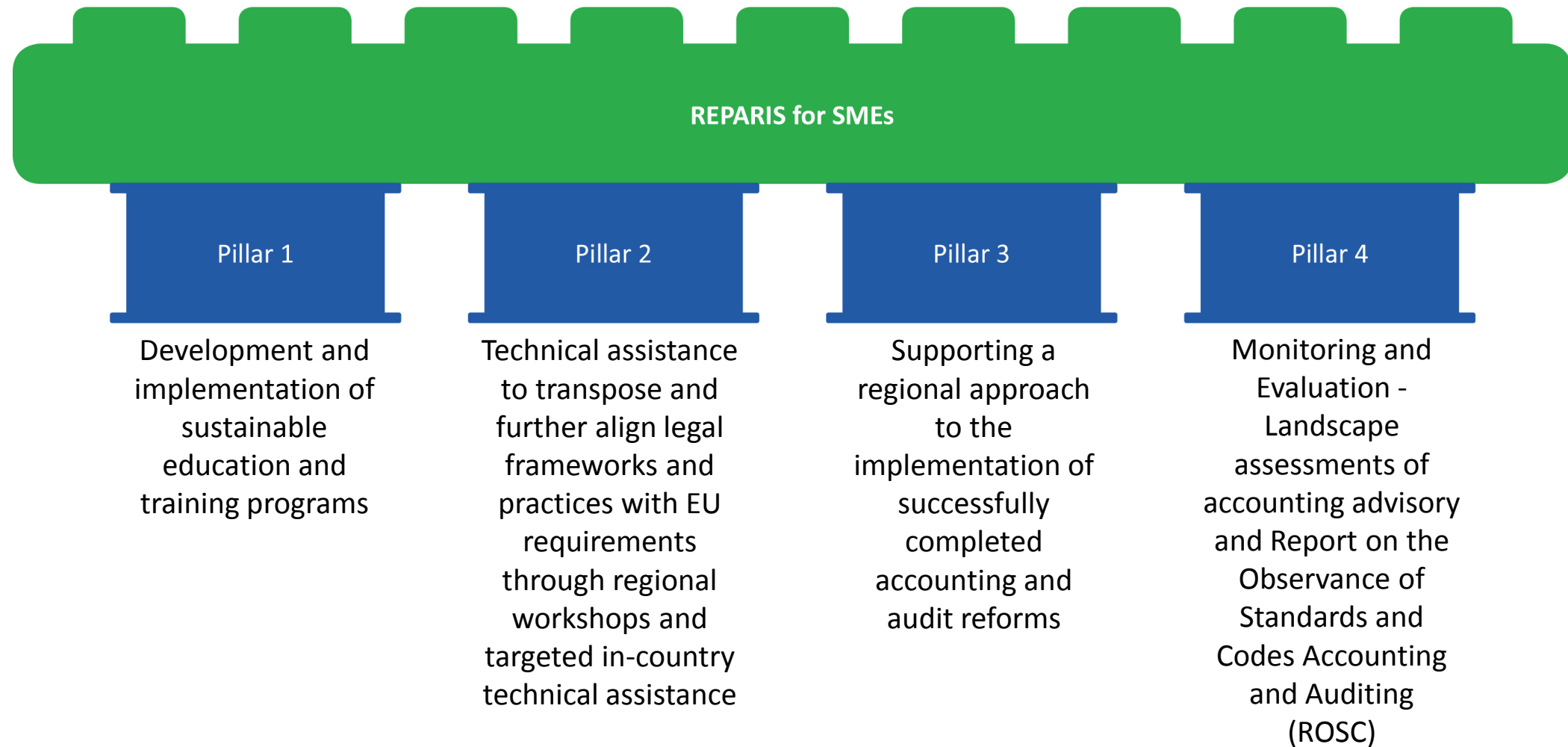
(a)

Support the alignment of Western Balkan corporate financial reporting frameworks with relevant EU directives and regulations

(b)

# PROJECT COMPONENTS

# Project pillars





## Pillar 1: Development and implementation of sustainable education and training programs

- » Build capacity for accountants, Professional Accounting Organizations (PAOs), Business Support Organizations (BSOs), including Chambers of Commerce (CoCs) to deliver professional and advisory services to promote transparency and enhance the credibility of SMEs.
- » By developing tools, providing training, and empowering sustainable provision of training services, the project will equip the PAOs and CoCs to support their members that advise or are employed in accounting and financial management roles to serve as trusted advisors.
- » PAOs and CoCs will be equipped to provide competent financial management and financial reporting-related services to help their clients/employers, particularly SMEs, overcome common challenges to growth.



## Pillar 2: Technical assistance to transpose and further align legal frameworks and practices with EU requirements through regional workshops and targeted in-country technical assistance

- » World Bank experts will facilitate the drafting of legal frameworks and implementation of institutions for regulating financial reporting and improve private sector transparency.
- » SMEs are part of the value chains that exist in the private and public sectors overall. When these value chains expand and grow, SMEs also benefit. A key element to this growth is investment, and investors gain more confidence when financial reporting and auditing systems are following international standards.
- » The project will promote a regional approach to reform accounting and auditing frameworks aimed to strengthen practices in the region, and in-country engagements will support greater alignment with the EU *Acquis Communautaire* as it relates to accounting and auditing.



## Pillar 3: Supporting a regional approach to the implementation of successfully completed accounting and audit reforms

- » This pillar will support various institutions to join forces, for example in the area of quality assurance of audit, and in implementing the EU Acquis Communautaire reforms in the areas of accounting and auditing.
- » A common issue in the region is that there is often a lack of capacity in various institutions and market participants to implement new regulations and therefore gain the benefits of reform.
- » Regional cooperation for the six covered countries will aim to improve the implementation capability of the provision of the EU Acquis.



## Pillar 4: Monitoring and Evaluation - Landscape assessments of accounting advisory and Report on the Observance of Standards and Codes Accounting and Auditing (ROSC)

- » This pillar will use the landscape assessments of accounting advisory and ROSC Accounting and Auditing indicators and methodology.
- » ROSC and landscape assessments will be performed in countries that did not have a recent assessment.

**Thank you for your attention!**

**[pfrerejacque@worldbank.org](mailto:pfrerejacque@worldbank.org)**