

Overview and Summary of Deliverables and Outcomes under the EU-REPARIS Program

EU-REPARIS was a regional capacity building and technical assistance program for the Western Balkan countries carried out between May 2015 – 2019 with the objective to support the implementation of corporate financial reporting frameworks in line with the EU *acquis communautaire* with a view to promoting enhanced availability, transparency and reliability of financial information. The program used a combination of regional activities such as policy exchange, seminars, multi-country workshops and communities of practice, and country-level activities including policy dialogue, technical assistance and local workshops. The program touched on several areas, including legal frameworks and international standards, institutions, public oversight, accounting education at the university and professional level, training of auditors and financial sector supervisors that use financial statements for regulatory purposes. The following summarizes the objectives, deliverables and outcomes by thematic pillar.

Pillar: Component 1 - Corporate Financial Reporting Reform

Objective: To support the implementation of a framework for accounting and auditing that meets international standards. Key themes include the specific reporting needs of SMEs, the application of International Financial Reporting Standards (IFRS), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance arrangements for statutory audit.

Subtask: Financial Reporting Community of Practice

Objective: The Financial Reporting Community of Practice assists in building capacity in countries participating in EU REPARIS by increasing the financial reporting knowledge of country-level stakeholders and facilitate their collaboration on the identification of common solutions to shared challenges. Peer learning is achieved through a Community of Practice (CoP) approach, facilitated by the CFRR, comprising regular joint learning, seminars, and knowledge exchange events with relevant EU and global bodies. Activities include workshops with the Financial Reporting Community of Practice, Virtual Seminars, and Publications.

Deliverables:

- Series of five Financial Reporting Community of Practice Workshops and two virtual seminars
- Publications:
 - o “Croatia’s EU Accession: Case Studies on Reform and the Transposition of the Community Acquis”
 - o “Public Oversight Systems for Statutory Audit in the EU”

Outcomes: The Financial Reporting Community of Practice (FRCOP) has provided the tools and the knowledge to participating clients for them to better understand the accounting and auditing EU Framework and implement the new directives and regulations and implement reforms. The accounting directive were change after more or less 30 years of existence, and have brought forward very new concepts, including exceptions for the micro-enterprises and exemption of audits for small enterprises; the reporting regime for micro and small and medium-sized enterprises was made less burdensome and

more straightforward. The audit directive and the regulation for public oversight represents complex arrangements that are not always well suited for developing countries with a low capacity environment. The team provided to the FRCoP members a series of publication that provides example on how to implement the accounting and auditing systems that are mandated by the EU corpus of laws, the "acquis communautaire" as it applies to accounting, auditing and financial reporting. In addition, the meetings of the FRCoP have enabled policy discussion between its members and knowledge transfer to them, through example of implementation of the directive, using selected topics that are complicated to implement, mostly on auditing and public oversight systems.

Subtask: In-country and Implementation Support

Objective: In country engagement and implementation support includes activities that support accounting and auditing reform at the country level, helping with the preparation of projects and carrying out small and targeted technical assistance. The technical assistance focuses on both critical and urgent issues and includes regular dialogue with the country authorities, typically focused on one or two priorities identified for a specific year. *Nota bene:* Due to ongoing country-level projects in Albania and Serbia, the support focused on below countries.

Deliverables:

- BIH in country and implementation support
- North Macedonia in country and implementation support
- Kosovo in country and implementation support
- Montenegro in country and implementation support
- Assessment reports:
 - o Accounting for Growth – Preliminary Landscape Assessment for Western Balkans
 - o Institutional Assessment of the Accounting Professional Body

Outcome: More generally all countries are at various stages of implementation of the new accounting and auditing directives, which are key for all size of companies, for fostering foreign and domestic investment and supporting access to finance, especially for SMEs. Candidate countries have to further the alignment of their accounting and auditing laws and regulators with the recently applicable accounting directive (applicable to EU member state in 2015) and audit directive (applicable to EU member state in 2015). The level of preparation in candidate countries is reported in the EU progress reporting 2018 as good (Macedonia, Serbia, Montenegro) or moderate (Albania). Potential candidate countries are at a more early stage of preparation. While they have created institutions and advancing their laws towards the acquis, Bosnia and Herzegovina and Kosovo are still struggling with implementation and far from having sustainable accounting and auditing systems. Under the EU REPARIS Program the countries that received most assistance from the program are Bosnia and Herzegovina and Macedonia. EU-REPARIS also helped mobilize resources for country-level projects including (Montenegro until 2017), Serbia (from 2016), Kosovo (from 2017).

Countries	Albania	BiH	Macedonia	Montenegro	Kosovo	Serbia
Accounting Law						
• Fully aligned with most recent EU requirements	No	No	No	Yes* (as stated by country)	No	No
• Partially aligned with most recent EU requirements	In progress	Yes	Yes	-	In progress	Yes
• Implementation capacity noticeably progressed	Yes	In progress	Yes	In progress	In progress	Yes
Audit Law						
• Fully aligned with most recent EU requirements	No	No	No	Yes	No	No
• Partially aligned with most recent EU requirements	Yes	Yes	Yes	-	In progress	Yes
• Implementation capacity noticeably progressed	Yes	In progress	Yes	In progress	In progress	Yes

Pillar: Component 2 - Education and Capacity Development

Objective: To promote the development of accounting education aligned with International Accounting Education Standards and the educational requirements of the EU's Statutory Audit Directive (i) at university level, (ii) for professional qualification, and (iii) for continuing professional development of those already qualified.

Subtask: Education Community of Practice

Objective: In support of educating and training individuals to become and remain highly qualified accountants, this activity supports the development of internationally compatible accounting education systems for professional qualification, continuing professional development, and at university level. The substantial commonality of curriculum content, qualification systems, and lifelong learning requirements are being addressed on a regional basis through the work of a community of practice. Relevant topics include the implementation of International Accounting Education Standards, application of the education requirements of the EU Statutory Audit Directive, and identification and replication of the experiences of EU universities in accounting education.

Deliverables:

- Stream of seven Education Community of Practice workshops
- Publications, Tools and Guides:
 - Accountancy Education Benchmarking Study
 - Accountancy Education Benchmarking Tool
 - Accountancy Education: A Collection of Good Practices
 - Commitment to Lifelong Learning: Guide for Implementing Output Based CPD

- EU-REPARIS Accountancy Education Benchmarking: Success Story
- Regional survey conducted among the PAOs of the Western Balkans with a focus towards regional integration of professional accountancy education.

Outcome: A result of the activities was (i) increased capacity of professional bodies to comply with SMOs and IESs and, in particular, SMO 2 – that sets out the requirements of an IFAC member body with respect to adoption and implementation of education standards and pronouncements issued by the International Accounting Education Standards Board (IAESB); (ii) increased commitment from PAOs to collaborate regionally in order to develop and maintain high quality accountancy education systems aligned with IES; (iii) established awareness of the benefits that come with enhanced cooperation and international recognition of qualifications, including achieving higher quality education programs; having professional qualifications become more appealing to potential applicants as they become internationally marketable; accelerating the development of the accountancy profession in the Western Balkans and strengthen the regional profession voice within Europe and globally; (iv) increased awareness on practical approaches, examples and best practice how regional integration should evolve and develop in the Western Balkans.

Subtask: Audit Training of Trainers

Objective: Audit Training of Trainers (Audit ToT) activities focus on developing the capacity of the audit profession to deliver high-quality training and continuing professional development programs based on International Standards issued by the International Auditing and Assurance Standards Board® (IAASB®). The activity aims to facilitate shared learning and peer exchange regarding the design, content, implementation arrangements, teaching and authorization environment for CPD. It focuses on the needs and challenges of Small and Medium Sized Audit Practices (SMPs) aiming to help develop both their technical and essential soft skills. The activity series has two streams: Fundamental and Advanced Streams and a Supplementary Module focusing on other reporting circumstances. Online sessions complement both streams.

Deliverables:

- Audit Training of Trainers series of seven seminars and ten virtual seminars
- Series of eight case studies
- Series of four guides

Outcome: The activity led to (i) strengthened capacity of SMPs to deliver a broader range of professional services more suitable to SMEs (e.g. create fundable business plans, raise finance, take advantage of fiscal and other incentives, and generate credible financial information that meets the needs of investors, lenders and guarantors); (ii) raised capacity of professional bodies to comply with IES and, in particular, with: IES 7 – continuing professional development (CPD); (iii) greater capacity of professional bodies to deliver high quality and sustainable training for SMPs and design CPD systems that comply with IFAC SMOs and IESs, including delivering training materials, practical teaching approaches and case studies for further local replication and use; (iv) improved awareness and knowledge regarding integrated and non-financial reporting and how these create value for SMEs and updates on new standards and ethical requirements emphasizing scalability considerations for SMEs/SMPs.

Pillar: Component 3 - Access to Finance and Financial Sector

Objective: To (i) provide practical guidance and solutions to facilitate easier access to finance, and (ii) build capacity among financial sector regulators in the use of financial reporting standards to effectively monitor the financial sector, particularly the bank and insurance sectors.

Subtask: Pilot Project on SME Reporting

Objective: The activity supports an ongoing dialogue with banks, chambers of commerce, and business associations to develop a common understanding of the financial information required for a loan application and the relevance of providing assurance on financial statements.

Deliverables:

- Empirical study on the linkages between quality financial reporting and cost of finance for SMEs in Serbia
- Lending practices in the Balkans: a survey of banks' practices in Serbia including dissemination workshop

Outcome: The pilot project on reporting for SMEs is a component of the EU REPARIS program and the team chose to focus on Serbia as a pilot country based on: (i) the existence of data at the Serbian Business Registry Agency, (ii) the focus of Serbia in 2016-2017 on SME development, (iii) the willingness of banks lending to SMEs to participate in a qualitative study, and (iv) the possibility to connect with SMEs through the Chamber of Commerce. The team has published in 2017 a qualitative study on how banks analyze loan applications: Small and Medium Enterprises, Financial Information as a Catalyst for Lending, Survey on Lending Practices in Serbia. The study was disseminated both through a meeting at the Serbian Banking Association and during workshops with SMEs. In parallel, the team replicated an empirical study done in Belgium to investigate the linkages between quality of financial reporting and cost of debt in Serbia, a transition economy.

Finally, the team delivered workshops for SMEs in Serbia in three different locations, Nis, Novi Sad, and Belgrade, to provide information to SMEs, on: (i) what banks want to know from SMEs when they apply for a loan, (ii) what are the questions to have in mind when hiring an accountant, and (iii) what are alternative to bank financing. All three presentations were the base for the writing on three brochures to be posted on the website of the Serbian Chamber of Commerce.

Subtask: Financial Reporting for Supervisors

Objective: The activities help build capacity among financial sector regulators in the use of IFRS to effectively monitor the financial sector, particularly the bank and insurance sectors. Training activities and studies are carried out to help prudential supervisors use a broader array of information in discharging their supervisory duties will contribute to better supervision and address the second part of the component.

Deliverables:

- IFRS Seminar Series of five seminars and one virtual seminar
- Two seminars on Supervisors and Auditors
- Publications:

- Policy Guidance on the steps to enhance effective collaboration between banking auditors and supervisors
- Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship
- Survey: Banking Supervisors and External Auditors – Building a Constructive Relationship

Outcome: Activities have built capacity among financial sector regulators in the use of IFRS. This is evidenced by the quality of intervention of participants the workshops and the interaction. Further, the workshops have supported the implementation process for each participating regulator for the new accounting standard for financial instruments, the first application of which was 2018. All participating countries have implemented IFRS 9. Pour memoire, several countries in Asia have differed implementation of IFRS 9. The importance and the quality of the events are evidenced also by the very good ratings provided to these events by participants. Finally the work on the CFRR is cited 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

Pillar: Component 4 - Regional Cooperation and Knowledge Sharing

Objective: To (i) maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials, and (ii) to facilitate knowledge capturing and sharing through online information portal and other knowledge management activities.

Subtask: Regional Cooperation and Knowledge Sharing

Objective: The activity aims to nurture continued reform momentum and facilitate greater regional cooperation and regulatory coordination by regularly engaging with senior officials and policy makers as they play a pivotal role in driving the reform agenda in their respective country. Activities aim to ensure decision makers are fully aware of the issues at hand, have a solid financial reporting knowledge base, are up-to-date in regard to requirements and developments at EU and international level, and in a position to master the much-needed financial reporting reform agenda. Additionally, a range of knowledge sharing activities such as a comprehensive online information portal are being supported.

Deliverables:

- Ministerial Conference 2016
- Ministerial Conference 2018
- Series of four Senior Officials Workshops
- Program website and online knowledge repository
- Newsletter
- Publications:
 - Corporate Sector Accounting and Auditing in the EU Acquis Communautaire
 - Connecting Voices: Financial Information – Catalyst for Growth

Outcome: The activity aimed to accomplish two main aspects: 1) Convene key stakeholders to discuss reforms, maintaining momentum and providing insights, and 2) Ensuring that knowledge developed through the EU-REPAIRS program could be shared to the broader audience that play a role in the success of reforms. A key achievement was the continued ability to convene key representatives from important

stakeholders and senior officials from client countries and have them engage on the agenda. Engaging all of these key stakeholders in the Ministerial Conferences and Senior Officials Workshops and discussing key issues in reforming accounting and auditing systems in differing contexts (i.e. access to finance, catalyzing growth in the private sector and more regional integration of the Western Balkans' economies with the EU zone), has also: (i) raised awareness of the importance of transparency and accountability in the private sector for economic stability and investment and growth at the political level; and (ii) informed the reform process, providing political decision makers with important information. Of special note, as a result of the work performed: (i) The Financial Times wrote and published an article May 12, 2016: "How better governance reaps rewards for central and eastern Europe". This article outlined the benefits of improved financial reporting practices and showcased the work the World Bank CFRR is doing. (ii) Strong high-level participation from the European Commission at Ministerial Conference (E.g. Commissioner Hahn has opened Ministerial Conference via video). (iii) The program ensures good engagement with the EDIF Platform, and in 2018 the PAG provided its approval of the EU-REPARIS extension program for 2020 proposal (which now goes through approval process). Also, through this ongoing support and engagement the EU, in late 2018, approved funding to ensure continuation of work on the agenda (through a separate program) to bridge the closing of this EU-REPARIS program and the commencement of the extension.

In sum, the program delivered 33 workshops and seminars with over 1250 participations, two regional ministerial level conferences, eight distance learning seminars, multiple technical assistance missions, and 14 publications, guides and reports.