KAREP: Kyrgyz Audit and Financial Reporting Enhancement Project (P151789)

Key Dates

Key Project Dates

- Bank Approval Date: 02-Aug-2016
- Effectiveness Date: 19-Jun-2017
- Original Closing Date: 30-Mar-2020
- Revised Closing Date: 30-Mar-2020

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

KAREP Development Objective is to equip the Kyrgyz Republic with a sound institutional framework for corporate financial reporting by: (i) improving the statutory framework, bringing it closer to good international practices; (ii) enhancing institutional capacity of the regulators, including the financial markets regulator (SSRSFM) and the state property fund, (iii) assisting selected key State Owned Enterprises (SOEs) in improving their financial reporting systems and processes, thus, contributing to better corporate governance and management accountability, and (iv) modernizing accounting education and literacy.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Overall Ratings

<table>
<thead>
<tr>
<th>Name</th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress towards achievement of PDO</td>
<td>● Moderately Satisfactory</td>
<td>● Moderately Unsatisfactory</td>
</tr>
<tr>
<td>Overall Implementation Progress (IP)</td>
<td>● Moderately Satisfactory</td>
<td>● Moderately Unsatisfactory</td>
</tr>
</tbody>
</table>

Implementation Status and Key Decisions

The Project's progress towards achieving the objectives is somewhat delayed, as detailed below:

**Component 1: Improving the statutory framework in audit and corporate financial reporting - slow progress in implementation:**

1. SSRSFM has increased its role as integrator of working consultations on the draft Audit Law, launching working group consultations and
drafting the new audit legislation. However, the drafting process is taking longer than expected, partially due to varying views as to the audit reform and changes to the composition of a working group.

2. SSRSFM has successfully completed license and copyright waiver agreements for official use and translation of the following international standards by the Kyrgyz Republic: (i) International Financial Reporting Standards (IFRS), IFRS for Small- and Medium-Sized Entities (IFRS for SMEs) with the IFRS Foundation; and (ii) license agreement and copyright waiver agreement for official use of International Standards on Auditing (ISA) with the International Federation of Accountants (IFAC). Translation is now in progress for IFRS for SMEs, with other standards to follow.

3. Clarification of institutional responsibilities of SSRSFM is in progress. SSRSFM has initiated process of changes to the Law on SSRSFM, which would allow to streamline its organizational structure. While this legislation is being considered by the Kyrgyz Parliament, we urge SSRSFM to develop respective underlying regulations and proposals for sustainable funding of SSRSFM to strengthen its authority and increase its role in accounting regulation and audit oversight in the Kyrgyz Republic.

Component 2: Strengthening Accountancy Education and Literacy is primarily on track:

1. Benchmarking study of accounting and audit models of local universities with international standards and best practices is ongoing with major universities taking part in the study.

2. Local universities professors and examiners will be trained in development of competency-based examinations and integrative case studies. IFRS and IFRS for SMEs training for teachers is in development and will be delivered in 2019, as scheduled.

3. Cooperation with the Ministry of Education and leading universities teaching accounting is on track. Consensus was reached between SSRSFM and Ministry of Education on the need to overhaul the standard curriculum within the broader goal of defining a competency framework for accountants and auditors.

4. Train-the-Trainer programs on IFRS and IFRS for SMEs were developed and tailored to the needs of the preparers of general-purpose financial statements. The initial cohort of trainers was identified, and their training will take place in July 2019.

5. Public awareness and thematic reform support activities under the Project must be increased. Such a complex reform of accounting, reporting, audit and accounting education affects many counterparts. Up to date, only a limited number of public awareness events and publications took place. KAREP aims to build public awareness and create the reform momentum to facilitate the implementation process. This can only be achieved through extensive stakeholders’ consultations and multiple awareness events.

### Risks

**Overall Risk Rating**

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Rating at Approval</th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>--</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

### Results

**Project Development Objective Indicators**

<table>
<thead>
<tr>
<th>Legal framework on financial reporting and audit modernized, inconsistencies with other legislation assessed and amended (Yes/No, Custom)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baseline</strong></td>
</tr>
<tr>
<td>Value</td>
</tr>
<tr>
<td>Date</td>
</tr>
</tbody>
</table>
Comments
The audit legislation update was originally scheduled for completion in June 2019. However, due to delays in audit legislation drafting, the process is delayed. Presently, audit legislation is targeted for Parliamentary approval by end-2019. Accounting legislation will be reviewed in 2019 targeted for Parliamentary approval by end Q1 2020. Hence, the indicator is re-scheduled for March 2020.

Audit Legislation is Updated (Yes/No, Custom Breakdown)

<table>
<thead>
<tr>
<th>Baseline</th>
<th>Actual (Previous)</th>
<th>Actual (Current)</th>
<th>End Target</th>
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</thead>
<tbody>
<tr>
<td>Value</td>
<td>N</td>
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<td>N</td>
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Accounting and financial reporting legislation is updated (Yes/No, Custom Breakdown)

<table>
<thead>
<tr>
<th>Baseline</th>
<th>Actual (Previous)</th>
<th>Actual (Current)</th>
<th>End Target</th>
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</thead>
<tbody>
<tr>
<td>Value</td>
<td>N</td>
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<td>N</td>
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Translation of international standards available, regularly updated and incorporated into Kyrgyz legislation. (Yes/No, Custom)

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<thead>
<tr>
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<th>Actual (Current)</th>
<th>End Target</th>
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<tbody>
<tr>
<td>Value</td>
<td>N</td>
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</table>

Comments
Translation of international standards contemplates translation of 3 sets of standards:

1. IFRS for Small- and Medium-Sized Entities (IFRS for SMEs) - in progress, to be completed by end-2019;
2. Full IFRS - to follow completion of IFRS for SMEs, as it builds on respective terminology used; and
### Institutional responsibilities of regulators clarified, their capacity improved, sustainable funding mechanisms are designed (Yes/No, Custom)

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<thead>
<tr>
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<th>Actual (Current)</th>
<th>End Target</th>
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</thead>
<tbody>
<tr>
<td><strong>Value</strong></td>
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<td>N</td>
<td>N</td>
<td>Y</td>
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</table>

**Comments**
Clarification of institutional responsibilities of SSRSFM still needs to be developed. This work is part of legislation drafting and this indicator is now re-scheduled to end-2019.

### Number of teachers’/ lecturers’ are trained in knowledge of international standards (Number, Custom)

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<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Actual (Previous)</th>
<th>Actual (Current)</th>
<th>End Target</th>
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<tr>
<td><strong>Value</strong></td>
<td>0.00</td>
<td>--</td>
<td>3.00</td>
<td>30.00</td>
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</tbody>
</table>

**Comments**
Appr. 30 of lecturers and professors trained in international standards and ToT's.

### Universities curricula/ manuals are updated with international standards (Yes/No, Custom)

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<tr>
<th></th>
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<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value</strong></td>
<td>N</td>
<td>--</td>
<td>N</td>
<td>Y</td>
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</tbody>
</table>

**Overall Comments**

**Intermediate Results Indicators**
### Benchmarking study of accounting and audit models of local universities with international standards and best practices (Yes/No, Custom)

<table>
<thead>
<tr>
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<th>Actual (Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
</tbody>
</table>

### Local universities professors and examiners are trained in development of competency based examinations and integrative case studies (Yes/No, Custom)

<table>
<thead>
<tr>
<th></th>
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<th>Actual (Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
</tbody>
</table>

Comments
This indicator is ongoing, as training of professors will begin in Q3 2019 and will continue through duration of the Project.

### Overall Comments

### Data on Financial Performance

#### Disbursements (by loan)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan/Credit/TF</th>
<th>Status</th>
<th>Currency</th>
<th>Original</th>
<th>Revised</th>
<th>Cancelled</th>
<th>Disbursed</th>
<th>Undisbursed</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>P151789</td>
<td>TF-A3153</td>
<td>Effective</td>
<td>USD</td>
<td>1.24</td>
<td>1.24</td>
<td>0.00</td>
<td>0.42</td>
<td>0.81</td>
<td>34%</td>
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</table>

#### Key Dates (by loan)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan/Credit/TF</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Orig. Closing Date</th>
<th>Rev. Closing Date</th>
</tr>
</thead>
</table>

### Cumulative Disbursements
Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.