

# CFRR >>

Centre for Financial  
Reporting Reform



WORLD BANK GROUP



Strengthening Auditing and Reporting in  
the Countries of the Eastern Partnership

## **STAREP Annual Update**

**Progress Report 2017  
and  
Program Plan  
2018/19**

**CFRR**»  
**Centre for Financial  
Reporting Reform**

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This document was prepared by:

Centre for Financial Reporting Reform (CFRR)  
Governance Global Practice, The World Bank  
Praterstrasse 31  
1020 Vienna, Austria

Web: [www.worldbank.org/cfr](http://www.worldbank.org/cfr)

Email: [cfr@worldbank.org](mailto:cfr@worldbank.org)

Phone: +43-1-217-0700

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## List of Abbreviations and Acronyms

|        |   |
|--------|---|
| ACCA   | Association of Chartered Certified Accountants (UK)               |
| ADA    | Austrian Development Agency                                       |
| A&A    | Accounting and Auditing   |
| A&ACoP | Accounting and Auditing Community of Practice                     |
| AO     | Audit and Oversight   |
| CD     | World Bank Country Director                                       |
| CFR    | Corporate Financial Reporting                                     |
| CFRR   | Centre for Financial Reporting Reform                             |
| CoP    | Community of Practice   |
| CMU    | Country Management Unit (World Bank)                              |
| CPD    | Continuing Professional Development                               |
| EaP    | EU Eastern Partnership  |
| EBRD   | European Bank for Reconstruction and Development                  |
| ECA    | Europe and Central Asia   |
| ECAFM  | Financial Management Unit of the ECA                              |
| EduCoP | Accounting Education Community of Practice                        |
| EU     | European Union  |
| EPI    | Economic Prosperity Initiative of USAID                           |
| FR     | Financial Reporting   |
| FSB    | Financial Stability Board   |
| GDLN   | Global Development Learning Network                               |
| IASB   | International Accounting Standards Board                          |
| IAESB  | International Accounting Education Standards Board                |
| ICE    | In-Country Engagement   |
| IDF    | Institutional Development Fund (World Bank)                       |
| IES    | International Education Standards (for Professional Accountants)  |
| IESBA  | International Ethics Standards Board for Accountancy (IFAC Board) |
| IFAC   | International Federation of Accountants                           |
| IFRS   | International Financial Reporting Standards                       |
| ISA    | International Standards on Auditing                               |
| KM     | Knowledge Management  |
| MDTF   | Multi-Donor Trust Fund  |
| M&E    | Monitoring and Evaluation   |

|         |  |
|---------|--|
| MoF     | Ministry of Finance  |
| MSMEs   | Micro, Small and Medium-sized Enterprises                                    |
| PAO     | Professional Accountancy Organization  |
| PB      | Professional Body  |
| PIE     | Public Interest Entity   |
| PL      | World Bank Program Leader  |
| POS     | Public Oversight System  |
| QAS     | Quality Assurance System   |
| REPARIS | Road to Europe: Program of Accounting Reform and Institutional Strengthening |
| ROSC    | Report on the Observance of Standards and Codes                              |
| SAD     | Statutory Audit Directive  |
| SOE     | State-owned enterprise   |
| SME     | Small or Medium-sized Enterprise   |
| SMP     | Small and medium- sized practices  |
| SOW     | Senior Officials Workshop  |
| STAREP  | Strengthening Auditing and Reporting in the Eastern Partnership              |
| TA      | Technical Assistance   |
| USAID   | United States Agency for International Development                           |
| WB      | World Bank   |

## Executive Summary

Launched in October 2013, *Strengthening Auditing and Reporting in the Eastern Partnership* (STAREP) is a regional program of the World Bank's Centre for Financial Reporting Reform (CFRR) for Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

To help establish regulations in line with international good practice, and to help stimulate economic growth, business activity, and better access to finance, STAREP helps participating countries to modernize corporate financial reporting frameworks and raise the capacity of local institutions to implement these frameworks effectively. Areas of program activity include accounting and auditing standards, in particular for SMEs; capacity of the profession to support businesses more effectively; initial and continuous accounting education; public oversight; and capacity of financial sector supervisors.

Working both on a regional level through peer learning and communities of practice as well as on the country-level through technical assistance and targeted workshops, the program supports efforts that help align laws, norms, institutions and practices with EU requirements and good international practice.

The program aims to encourage reform efforts, upgrade the skills of stakeholders, and provide technical assistance as needed. Successful reforms will depend on actions taken by each country, including activities implemented outside of STAREP.

During the program year January – December 2017, progress has been made. Details can be found in the respective sections of this program, but a few highlights include:

- Joined by the Serbian Minister of Finance for an experience exchange, a senior officials workshop brought together deputy ministers of finance and other government representatives in March 2017 to discuss reform status. The event was held in Brussels to allow for presentations, interactions and discussions with representatives from the EU;
- The Small and Medium Practices (SMP) Forum brought together representatives of the profession of all countries for discussion and exchange in an event that was addressed by the President of the International Federation of Accountants (IFAC) and jointly organized by IFAC. The forum emphasized the comprehensive role that SMPs play in supporting SMEs to grow, and further explored the professional services that are emerging. Successful models and cases were showcased and participating PAOs benefited from IFAC SMP Committee's knowledge sharing and resources;
- Community of practice (CoP) workshops were held in both, the Accounting and Auditing CoP as well as the Education COP. Thematically, these events covered "Strategies for Greater Compliance with International Education Standards", "Financial Reporting for SMEs", as well as "EU *acquis communautaire*";

- A seminar covering both IFRS as well as the relationship between auditors and supervisors was held for financial sector supervisors;
- Several country-level workshops, round table discussions as well as technical assistance activities were carried out in participating countries;
- Noteworthy outcomes include:
  - New legislation developed and adopted in Moldova and Ukraine in 2017;
  - Recommendations provided on the Accounting law in Armenia as well as the Accounting and Internal Audit Laws in Azerbaijan, all of which are expected to be adopted during 2018;
  - Support to the implementation of the new legislation in Georgia;
  - Deepened understanding in accounting education and international education standards through several activities carried out
  - IES were translated into Russian version.

In 2018, the program will enter its fifth and final period which is expected to last until about February 2019. Highlighted activities for the period ahead are expected to include

- A Ministerial Conference and senior officials workshop in November 2018;
- Community of Practice (CoP) of the Accounting and Auditing CoP in April and November will be devoted to audit quality assurance and public oversight; the Education CoP will be held in November and work on the finalization of national education initiatives;
- An IFRS Executive Seminar for Supervisors will be held in November;
- Several country-level activities related to audit oversight and quality assurance, accounting education, and other will be held throughout the year;
- Research and publications include:
  - Competency-based Accounting Education and Training Guide;
  - Regional Education Study;
  - Accounting Qualification Resources and Implementation Toolkit;
  - Reporting by Public Oversight Bodies;
  - Policy Note on the steps to enhance effective collaboration between banking auditors and supervisors;
- Policy dialogue continues through technical assistance missions in all countries.

## Activities and Progress 2017 by Component

### Component 1 - Reform Momentum and Support

#### Activities

| Activity              | Topic   | Date                       | Location |
|-----------------------|---|----------------------------|----------|
| Workshop              | Senior Officials Workshop: Helping Businesses to Access Credit and Attract New Investment <sup>1</sup>                | 28-29 March                | Brussels |
| Publication/ Research | FACT survey on State Owned Enterprises Financial Accountability, Controls and Transparency in Europe and Central Asia | Delayed, expected Nov 2018 | N/A      |
| Knowledge Management  | Website pages: topics, events, countries  | Ongoing                    | N/A      |
|                       | Website Update and Upgrade  | Ongoing                    | N/A      |
|                       | Newsletter covering STAREP activities   | Ongoing                    | N/A      |

#### Progress towards Program Outcomes

- Client Capacity Increased: STAREP countries officials demonstrate understanding and ownership of corporate financial reporting reforms. They are committed to implement respective reform steps in their countries, even in those countries not technically bound by association agreements with the EU.
- Policy/ Strategy Informed: STAREP has significantly contributed to policy makers' awareness about corporate financial reforms, as well as enhanced their understanding of policy actions, benefits in closer alignment with the EU and international good practices. Learning from good practices and thematic experts, STAREP countries are now able to design the reforms applicable to their countries' environment, moving towards improving corporate financial reporting frameworks and audit regulation and quality.
- For in-country details, please see component 5.

#### Unforeseen Challenges and Actions taken in response

The State-Owned Enterprises Fact Study is behind schedule due to a delay in information collection and the complexity of data analysis, which caused a delay in data compilation. The

<sup>1</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23746604~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>



study should undergo standard World Bank quality peer-review and become available by November 2018.

## Component 2 – Accounting Education Reform

### Activities

| Activity    | Topic   | Date        | Location |
|-------------|---|-------------|----------|
| Forum       | Regional SMP Forum: Joint event with IFAC <sup>2</sup>  | 31 May      | Vienna   |
| Workshop    | EduCoP Workshop: Strategies for Greater Compliance with International Education Standards <sup>3</sup>      | 30 May      | Vienna   |
|             | Virtual EduCoP Workshop: Implementing Competency-based Accounting Education and Training - The Fundamentals | 28 November | N/A      |
| Publication | Handbook of International Education Pronouncements 2017: Russian Translation <sup>4</sup>                   | October     | N/A      |
|             | Draft Competency-based Accounting Education and Training Guide  | November    | N/A      |

### Progress towards Program Outcomes

The Regional SMP Forum provided EduCoP members with an in-depth understanding of the challenges and opportunities for SMPs and SMEs, in particular:

- Becoming more familiar with the requirements of IFAC's new ethical standard;
- Being able to expand their practices through the review, compilation, and agreed-upon procedures engagements; and
- Recognizing the potential offered by emerging forms of reporting and business advisory services.

The EduCoP Workshop held in May provided all members:

<sup>2</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23751134~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>3</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23752840~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>4</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:21541321~menuPK:4368642~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html#43>

- An opportunity to present an outline of their draft “National Education Initiatives” working documents, and exchange concepts and ideas on how to deal with similar challenges.
- A deeper understanding of the importance of IFAC’s International Education Pronouncements which were presented by the Deputy Chair of IFAC’s International Accounting Education Standards Board.

The “virtual” EduCoP Workshop held in November enabled a larger group of local stakeholder to attend the event.

- This was important due to the need to engage a broader audience, including representatives of Government and Regulatory Agencies in each Country.
- A summary of the draft “National Education Initiatives” was presented by each Country team.
- An overview of the second draft of the “Competency-based Accounting Education and Training Guide” was presented to participants who expressed overwhelming interest and support for the Guide.

The Russian version of IFAC’s “Handbook of International Education Pronouncements – 2017 edition” was published in November 2017 and posted on the CFRR website.

### Unforeseen Challenges and Actions taken in response

The compilation of the “Competency-based Accounting Education and Training Guide” is taking longer than expected to finalize.

- A first draft was finalized in May 2017 and shared with a range of external reviewers. The feedback received was very positive in the terms of the concept and model. A significant re-write of the Guide, with the involvement of new authors, was however performed to further enhance the usefulness of the guide. This resulted in the inclusion of practical tools and examples which would assist Universities and PAOs in STAREP Countries in their efforts to adopt and implement the principles of competency-based education.
- A second draft, finalized in November 2017, was presented to the STAREP EduCoP at the virtual event.

## Component 3 – Accounting and Auditing Standards

### Activities

| Activity    | Topic   | Date          | Location |
|-------------|---|---------------|----------|
| Workshop    | A&ACoP Workshop: Keeping Financial Reporting Relevant: Focus on Micro, Small and Medium Enterprises <sup>5</sup>          | 26-27 April   | Kyiv     |
|             | A&ACoP Workshop: Advancing in Accounting & Auditing Regulation: Workshop for STAREP and EU-REPARIS Countries <sup>6</sup> | 24-25 October | Vienna   |
| Publication | Public Oversight Systems for Statutory Audit in the EU <sup>7</sup>   | June          | N/A      |

### Progress towards Program Outcomes

- Two A&ACoP workshops, held in April<sup>8</sup> and October<sup>9</sup>, provided members of community of practice with deeper understanding of the EU *acquis communautaire* in the field of accounting and auditing;
- Participants exchanged views and outlined the existing landscape in the financial reporting regime for entities that are not defined as public interest entities (non-PIEs) and mapped country's place on the road to a strengthened system of public oversight. They highlighted the main strengths and challenges; shared concepts and ideas on how to deal with challenges and interacted with experts involved in promoting similar reforms in their respective countries;
- Georgia, Moldova and Ukraine have adopted improved legislation in the field of accounting and auditing, with high degree of alignment to the EU *acquis communautaire*; other countries are on the road to developing new improved legislation which will strengthen corporate financial reporting;

<sup>5</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23748739~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>6</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23762799~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>7</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:21541321~menuPK:4368642~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html#42>

<sup>8</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23748739~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>9</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23762799~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

- The publication “Public oversight systems for statutory auditors in the EU”<sup>10</sup> reflects on the rationale for public oversight of auditors, summarizes the relevant EU legislation and international benchmarks for public oversight systems, and thereafter provides the STAREP countries with a comparison and contrasts the different approaches taken by EU member states to operate their public oversight systems.

### Unforeseen challenges and actions taken in response

- Initially the proposed project activities intended to deliver several workshops focused on increasing capacity of participating countries in public oversight and quality assurance. However, only three out of six countries adopted enabling legislation and are on the road to establish/restructure their public oversight systems. It is expected that public oversight institutions will become operational in 2018 and therefore more activities will be focused on audit quality assurance and oversight, including systems of investigations and sanctions for auditors, and detailed methodology for audit quality assurance inspections.

## Component 4 – Financial Regulators Practice Forum

### Activities

| Activity                 | Topic   | Date                 | Location |
|--------------------------|---|----------------------|----------|
| Seminar                  | IFRS seminar  | 23-24 November       | Vienna   |
|                          | Auditors and Supervisors  | 22 November          | Vienna   |
| Research/<br>Publication | Policy note: Critical path for enhancing collaboration between supervisors and auditors | Expected in May 2018 | N/A      |

Supervisors and regulators responsible for supervising banks and insurance undertakings from the STAREP and EU REPARIS countries met on 22-24 November for the 2017 Executive IFRS for Regulators workshop organized by the CFRR with the collaboration of the global accounting standards setter, the IFRS Foundation and the International Accounting Standards Board. The workshop was organized in Vienna, Austria, at the premises of the Federal Ministry of Finance of Austria. Supervisors from existing European Union member countries supported the discussions.

The three-day workshop provided an opportunity for participants to discuss implementation of a critical new standard that impacts the way banks and bank supervisors do business—IFRS 9 on financial instruments—as well as IFRS 17 on insurance contracts and other standards.

<sup>10</sup> <http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1380634652337/POS-paper.pdf>

Participants heard from top global experts including a board member of the IASB and staff from the IFRS Foundation, supervisors and experts from the World Bank, as well as exchanging experiences on their preparation for the implementation of IFRS 9 that should be implemented across banks and insurance companies starting January 1st, 2018. IFRS 9 in particular presents substantial challenges and risks in the region, particularly with respect to SME access to finance, because it requires financial institutions to account for expected and not just incurred losses on the loans they make, which could in turn affect lending policies and potentially worsen lending conditions for SMEs. The workshop was in part aimed to help assure proper understanding and implementation of IFRS 9 requirements by bank supervisors, to address the risk that a misinformed approach by regulators could unnecessarily worsen lending conditions. Other topics were discussed such as the experience of De Nederlandsche Bank, the Netherlands' banking supervisors, in implementing a better relationship between banking supervisors and auditors and how to optimize interactions with auditors by properly sequencing the activities.

A policy note based on this experience is being drafted and will be published in 2018. This policy note will complete the set of publications on the relationship between auditors and such as the report on Banking Supervisors and External Auditors: Building a Constructive Relationship (2015) and the World Bank Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship (2016).

### Progress towards Program Outcomes

- The unprecedented level of interaction and complexity of the questions asked by participants to presenters demonstrates that their knowledge of IFRS 9 on financial instruments, together with their new experience with implementation challenges have considerably increased since inception of the program.
- Matters relevant to the collaboration of auditors and supervisors in the area of banking supervision has been reported as a very relevant topic during the workshop and using the formal feedback process.
- Participants have also reported that this event was the best opportunity they had, to learn from and interact with renowned international experts.

### Unforeseen Challenges and Actions taken in Response

- Two workshops were held on three consecutive days to save costs, and to allow closer collaboration with the Austrian Finance Ministry.

## Component 5 – Country-level Implementation Support

Component 5 is closely linked with the other technical components to provide additional support for country-level reform efforts. As such, it serves as a vehicle for participating countries and the CFRR to support the application and implementation of concepts presented as part of regional workshops. The CFRR team frequently travel to STAREP countries to engage in direct dialogue with senior government representatives such as deputy ministers of finance, working level counterparts in the ministries, as well as representatives from the profession, academia, the business community and other stakeholder groups. Apart from policy dialogue, activities country-level stakeholder round table discussions, workshop, desk review and technical assistance. A detailed table with country-level activities is included in the Annex.

| Armenia                           |   |
|-----------------------------------|---|
| Activity/Topic                    | Policy Dialogue and Technical Assistance on changes to Accounting & Audit legislation.  |
| Progress towards Program Outcomes | The draft accounting, auditing, and audit oversight legislative package was submitted to Parliament at the end of 2017 and is expected to be adopted early in 2018.   |
| Azerbaijan                        |   |
| Activity/Topic                    | <ul style="list-style-type: none"> <li>Policy Dialogue and Technical Assistance to advise on the Accounting and Internal Audit Laws, and SOE reforms (co-funded by the WB budget).</li> </ul> <p style="text-align: center;"><b>Events:</b></p> <ul style="list-style-type: none"> <li>Workshop: Promoting Transparency and Efficiency of State-Owned Enterprises in Azerbaijan<sup>11</sup></li> <li>Workshop National initiatives for improving accounting education and strengthening PAOs in Azerbaijan<sup>12</sup></li> </ul> |
| Progress towards Program Outcomes | <ul style="list-style-type: none"> <li>New Accounting Law drafted and is expected for adoption during 2018. The Law moves certain provisions closer to the EU Acquis, e.g. introducing reporting thresholds;</li> </ul>   |

<sup>11</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23752071~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>12</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23766045~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reforms;</li> <li>• Improved understanding of IES.</li> </ul>  |
| <b>Belarus</b>                           |  |
| <b>Activity/Topic</b>                    | <ul style="list-style-type: none"> <li>• Policy Dialogue and Technical Assistance to advise on ISA implementation and respective changes to the Audit Law, IFRS implementation by PIEs.</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Workshop: Financial Sector Workshop in Belarus: IFRS 9 and Dialogue between Regulators and Auditors, 18-19 Sept, Minsk<sup>13</sup></li> <li>• Workshop: Initiatives to Improve Accounting Education / Strengthen of PAOs in Belarus, 20-21 Sept, Minsk<sup>14</sup></li> </ul>   |
| <b>Progress towards Program Outcomes</b> | <ul style="list-style-type: none"> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reform;</li> <li>• Legal Framework in the process of being modernized, including via adoption of International Accounting and Auditing Standards: IFRS are now applicable to PIEs (from 2016); ISAs will be incorporated into the new draft of Audit Law during 2018, with respective agreements currently negotiated with IFAC for proper use of ISAs in the country;</li> <li>• Improved understanding of IES by universities, profession and regulators;</li> <li>• Ongoing policy dialogue between the in-country stakeholders on strengthening A&amp;A curricula in universities.</li> <li>• SOEs governance and effectiveness improvements will be supported via targeted technical assistance to SOEs, capacity building and improvements in SOE corporate governance. Activities will be funded by new TF activated in November 2017, and funded by the EU.</li> </ul> |

<sup>13</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23762112~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>14</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23762116~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

| Georgia                           |   |
|-----------------------------------|---|
| Activity/Topic                    | <ul style="list-style-type: none"> <li>• Policy Dialogue and Technical Assistance to advise on implementation of newly adopted A&amp;A Law, launching activities of the new Audit Regulator (SARAS), accounting education.</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Workshop: Georgia Launches Service for Accounting, Reporting, and Auditing Supervision, 21 June, Tbilisi<sup>15</sup></li> <li>• Workshop: National Initiatives for Strengthening Accounting Education, 21-22 June, Tbilisi<sup>16</sup></li> <li>• Workshop: Georgian small and medium businesses embrace for transition to IFRS for SMEs, 15-16 Nov, Tbilisi<sup>17</sup></li> </ul>  |
| Progress towards Program Outcomes | <ul style="list-style-type: none"> <li>• Policy/strategy informed: Government officials are on board with the CFR reforms and competent in the subject. Stakeholders debates and involvement are ongoing and contribute to effective reform implementation;</li> <li>• Client capacity increased &amp; Knowledge deepened: Government officials and representatives of the profession increased their understanding of EU legislation, good international practices and increased their capacity through STAREP workshops and bi-lateral exchanges established under STAREP;</li> <li>• Legal framework modernized including adoption of International Accounting and Auditing Standards: new Accounting &amp; Audit Law approved in 2016 brings Georgia’s CFR legislation closer to the EU norms, introduces public audit oversight, strengthens auditor independence, and enhances transparency in financial reporting;</li> <li>• Institutional capacity of the profession enhanced: accountants’ certification/ registration process is currently modernized, audit quality assurance systems are aligned closer to the new A&amp;A Law and good international practices;</li> <li>• Accounting education systems modernized: improved understanding of IES among academia and profession.</li> </ul> |

<sup>15</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23751756~pagePK:64168445~piPK:6416830~theSitePK:4152118,00.html>

<sup>16</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23752579~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>17</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23765057~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>



| Moldova                           |   |
|-----------------------------------|---|
| Activity/Topic                    | <ul style="list-style-type: none"> <li>• Policy Dialogue and Technical Assistance including mission travels to advise on and hold public consultations on A&amp;A Laws.</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Workshop: Building a strong and sustainable accounting and auditing profession in Moldova, 10 March, Chisinau<sup>18</sup></li> <li>• Conference of Auditors (delivered in cooperation with the Ministry of Finance of the Republic of Moldova), 30 October, Chisinau<sup>19</sup></li> </ul>  |
| Progress towards Program Outcomes | <ul style="list-style-type: none"> <li>• Legal framework modernized including adoption of International Accounting and Auditing Standards: the new Law on Accounting and Financial Reporting approved by the Parliament on December 15, 2017 (published in Official Gazette on January 05, 2018) and will come into effect on January 01, 2019. The new law transposes the main provisions of the Directive 2013/34/EC, including classification of entities and groups of entities, definition of PEs, minimum disclosure requirements, introduces the concept of non-financial reporting and reporting of payments to governments, transposes the publication and auditing requirements. It is expected that new regulatory framework will improve the quality of financial reporting and will reduce the administrative burdens in that field for micro and small entities;</li> <li>• National Accounting Standards (NAS) were revised and amended in line with new legal framework; revised NASs transposes relevant parts of the Directive 2013/34/EC (e.g. template of financial statements). The improved NASs will be approved by the Ministry of Finance by the end of March and will come into effect on January 01, 2019;</li> <li>• The new Law on Auditing of Financial Statements was approved by the Parliament on December 15, 2017 (published in Official Gazette on January 12, 2018) and will come into effect on January 01, 2019 (except transitional arrangements that foresee reorganization of Auditing Oversight Council in 2018). The new law transposes the main provisions of the Directive 2006/43/EC. It provides that the Auditing Oversight Council (AOC) is restructuring,</li> </ul> |

<sup>18</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23745296~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>19</sup> <http://mf.gov.md/ro/content/auditorii-din-%C8%9Bbar%C4%83-apreciaz%C4%83-pozitiv-proiectul-legii-privind-auditul-situa%C8%9Bilor-financiare>

|                       |  |
|-----------------------|--|
|                       | <p>so that the quality assurance inspectors are not public servants and contains a financial mechanism for the AOC. There are more restrictive provisions in respect of the audit of PIEs, independence of auditors, appointment and dismissal of auditors and reporting to AOC by auditors and by AOC to the general public. PIEs are required by law to establish Audit Committee;</p> <ul style="list-style-type: none"> <li>• Improved understanding of IES by universities, profession and regulators as result of publication and local dissemination by CFRR of the Russian translation;</li> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reform.</li> </ul>   |
| <b>Ukraine</b>        |  |
| <b>Activity/Topic</b> | <ul style="list-style-type: none"> <li>• Policy Dialogue and Technical Assistance in drafting Accounting and Audit Laws, respective public consultations, accounting education, professional development, and SOE reforms (co-funded by the WB budget).</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Workshop: National Initiatives for Strengthening Accounting Education, 5-6 April, Kyiv<sup>20</sup></li> <li>• Roundtable: Building a strong and sustainable accounting and audit profession in Ukraine, 29 June, Kyiv<sup>21</sup></li> <li>• Conference<sup>22</sup>: Future of Audit Profession - International good practice and way for development in Ukraine, September 29, Kyiv</li> <li>• Conference<sup>22</sup>: Future of Audit Profession - Focus on the Access to Profession and IES, October 19, Odessa</li> <li>• Conference<sup>22</sup>: Future of Audit Profession - Focus on Auditors Professional Liability and Relevant International Practices, November 3, Lviv</li> <li>• Roundtable: Professional Consolidation and Merger of PAOs, December 1, Kyiv</li> </ul> |

<sup>20</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23747744~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>21</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23751987~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>22</sup> Held jointly with EU FINSTAR Project

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• Conference<sup>23</sup>: Future of Audit Profession - Focus on Quality Assurance and Professional Self-Regulation Models, December 13, Kharkiv</li> </ul>  |
| <p>Progress towards<br/>Program<br/>Outcomes</p> | <ul style="list-style-type: none"> <li>• Policy/strategy informed: Government officials are on board with the CFR reforms and competent in the subject. Stakeholders consultations and debates are ongoing and build foundation for effective reform implementation;</li> <li>• Client capacity increased &amp; Knowledge deepened: Government officials and representatives of the profession increased their understanding of EU legislation, good international practices and increased their capacity through STAREP workshops and bi-lateral exchanges established under STAREP (i.e. with Georgia);</li> <li>• Legal framework modernized including adoption of International Accounting and Auditing Standards: new Accounting &amp; Audit Laws approved in 2017 bringing Ukraine’s CFR legislation closer to the EU norms, introducing concept of PIEs, requiring them to audit and publish their financial statements, establishing new audit regulation model, public oversight body and reorganization of the current audit regulator – Auditors` Chamber of Ukraine, strengthening auditor independence, and enhancing transparency in financial reporting;</li> <li>• Accounting education systems modernized: improved understanding of IES among academia and profession.</li> </ul> |

<sup>23</sup> Held jointly with EU FINSTAR Project

## Planned Activities 2018/19 by component

The following describes the planned activities and expected outcomes for each component. Activities marked with \* indicate joint activities with the EU-REPARIS program.

### Component 1 - Reform Momentum and Support

#### Activities Overview

| Activity               | Topic                                  | Date     | Location |
|------------------------|--|----------|----------|
| Ministerial Conference | Topic TBD                              | November | Vienna   |
| Workshop               | Senior Officials' Workshop: topic TBD  | November | Vienna   |
| Knowledge management   | Newsletter covering STAREP activities  | Ongoing  | N/A      |
|                        | Website pages: topics, events, country | Ongoing  | N/A      |

#### Description of Activities

Component 1 activities will continue providing reform momentum support and a platform for peer exchange among top-level officials in STAREP countries. The 2018 Ministerial Conference and Senior Officials' Workshop will be towards the end of the current STAREP program period and provide a platform for high-level representatives of the beneficiary countries to present their success stories and share concerns over their latest achievements in accounting and audit reforms. The format of the 2018 events will allow for peer learning between EU REPARIS and STAREP groups of countries to build upon 2017 experience and expand peer exchange.

Knowledge management activities of Component 1 will keep all STAREP participants up to speed on recent developments in the fields of corporate financial reporting, accounting and audit, via regular Newsletters and updates to CFRR web-site. CFRR has upgraded the web-site to make it more user-friendly and accessible for information queries including the dedicated parts for the STAREP program. It is expected that the new website will be launched early in 2018. Program participants will continue receiving regular updates on CFRR programs, events, technical work and related news from the quarterly CFRR Newsletter.

#### Expected Outcomes

- Provide a strong wrap-up gathering, finalizing STAREP implementation and celebrating achievements made by participating countries;

- Encourage further reform momentum, awareness and knowledge in financial reporting agenda;
- Create high-level opportunities for networking, experience sharing and international exchange, particularly with representatives from the European Union;
- Facilitate stronger linkages with reform partners, including mutually shared assessment of status quo and discussions on possible avenues for the way forward.

## Component 2 – Accounting Education Reform

### Activities Overview

| Activity    | Topic  | Date     | Location |
|-------------|--|----------|----------|
| Workshop    | EduCoP: Finalization of “National Education Initiatives” for each STAREP Country | November | Vienna   |
| Publication | Competency-based Accounting Education and Training Guide                         | May      | N/A      |
|             | Regional Education Study (draft)   | November | N/A      |
|             | Accounting Qualification Resources and Implementation Toolkit                    | November | N/A      |

### Description of Activities

- The “Competency Based Accounting Education and Training Guide” will be published in May 2018, and made available on the CFRR Website.
- The EduCoP workshop in Vienna will be a dissemination event for the Guide. Also, all six STAREP “National Education Initiatives” reports will be finalized and the draft Regional Education Study published on this occasion. The workshop will allow participants to provide feedback and further contributions before the study is finalized.
- The first instalment of the “Accounting Qualification Resources and Implementation Toolkit” will be finalized and shared with participants in November, as well.

### Expected Outcomes

Whereas the beginning of the STAREP Program was focused on diagnostics and evaluation of existing accounting education programs, the later part is focused on responding to the weaknesses and deficiencies identified by providing the reference materials, resources, and support to reforms:

- The Competency-based Accounting Education and Training Guide will provide a framework to support future initiatives to reform accounting education and training.
- The National Education Initiatives documents, as well as the Regional Study will provide a roadmap for the stakeholders in each STAREP Country to implement further reforms.
- The Accounting Qualification Resources and Implementation Toolkit will provide STAREP EduCoP members and the broader range of stakeholders some concepts, tools and resources, as well as sample course material to support the reform of accounting education programs.

## Component 3 – Accounting and Auditing Standards

### Activities Overview

| Activity    | Topic  | Date      | Location |
|-------------|--|-----------|----------|
| Workshop    | A&ACoP: workshop focused on audit quality assurance and public oversight, including relevant and new topics related to accounting (part I) | April/May | TBD      |
|             | A&ACoP: workshop focused on audit quality assurance and public oversight (part II)   | November  | Vienna   |
| Publication | Reporting by Public Oversight Bodies   | December  | N/A      |

### Description of Activities

The proposed two workshops will focus on the audit quality assurance and public oversight, including systems of investigations and sanctions for auditors, and methodology for audit quality assurance inspections. In addition to the permanent A&ACoP members, countries will be encouraged to delegate for participation the quality assurance reviewers and staff, responsible for development of the detailed inspection methodology. The project team will identify countries with recent and relevant experience in the field of public oversight and quality assurance inspections and will involve practicing inspectors to share their experience with STAREP countries. The team will ensure also that relevant and new topics related to accounting are covered during the program.

The publication “Reporting by Public Oversight Bodies” will provide a synopsis on the topic of reporting by audit oversight bodies and outline international principles and legislative requirements, highlighting good practices and sharing some results from a focused survey across EU-REPARIS and STAREP countries.

## Expected Outcomes

- A&ACoP members will have improved their understanding of public oversight principles and quality assurance, including systems of investigations and sanctions for auditors;
- Quality assurance requirements compliant with the requirements of Directive 2006/43/EC are transposed into national legislation;
- Country delegations will outline their methodology for audit quality assurance inspections and receive feedback from experts and peers;
- Improved understanding among key stakeholders on good European and international practices regarding reporting by public oversight bodies.

## Component 4 – Financial Regulators Practice Forum

### Activities Overview

| Activity                 | Topic  | *   | Date               | Location |
|--------------------------|--|-----|--------------------|----------|
| Seminar                  | Financial Regulators Practice Forum  | Yes | May                | Tbilisi  |
| Seminar                  | Financial Regulators Practice Forum  | Yes | November           | Vienna   |
| Research/<br>Publication | Policy note on steps for enhancing effective collaboration between banking auditors and supervisors. |     | Publication<br>May | N/A      |

### Description of Activities

- The CFRR will organize a two-day to three-day workshop for the countries participating to the STAREP program to be hosted in Tbilisi in May 2018. The workshop will feature discussions on the implementation of IFRS 9 for banking supervisors and discussion about the review of financial statements in the region, and their use for supervisory purposes. Countries will also showcase progress made on their collaboration with auditors for better supervision of banks. The workshop will be delivered with the participation of the IFRS foundation and a member of the International Accounting Standard Board.
- The CFRR will organize the next Finance Regulators Practice Forum as part of the multi-program Vienna Ministerial Conference 2018. The event will feature discussions on the implementation of standards on IFRS 9-financial instruments, IFRS 15-revenue, and future implementation IFRS 17 insurance contracts. It will also discuss specific initiative for better collaboration of supervisors and auditors as practical steps for reviewing financial statements prepared under IFRS.

- A policy note on implementing better collaboration between auditors and supervisors will be published.

### Expected Outcomes

- Continued capacity development of banking and insurance regulators and supervisors on IFRS as well as an enhanced ability to monitor the quality of financial statements;
- Further increase in cooperation facilitated between auditors and supervisors;
- Policy paper describing the path to ensuring a better relationship between auditors and supervisors, leading to enhanced supervision of the banking system to be published in 2018.

## Component 5 – Country-level Implementation Support

2018 will concentrate on supporting ongoing in-country activities to finalize the steps initiated under STAREP and create sufficient reform momentum for the countries to continue implementation beyond STAREP.

| Armenia           |   |
|-------------------|---|
| Activity/Topic    | <p>Policy Dialogue and Technical Assistance:</p> <p style="text-align: center;"><b>Events:</b></p> <ul style="list-style-type: none"> <li>• EDUCOP Replication event to assist EDUCOP members and wider stakeholder group develop the “National Accounting Education Initiatives” document.</li> <li>• Audit quality assurance and oversight workshop to assist local regulators implement the revised accounting and audit legislation package.</li> </ul> |
| Expected Outcomes | <ul style="list-style-type: none"> <li>• Updated and improved legislation in accounting and audit;</li> <li>• Development of relationships among stakeholders, i.e. policy makers, regulators, profession and business;</li> <li>• Establishment of dialogue between Ministry of Finance and academia on improving accounting and audit curricula.</li> </ul>   |
| Azerbaijan        |   |
| Activity/Topic    | Policy Dialogue and Technical Assistance:   |



|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• Follow-on work on building capacity and outreach of the Azerbaijan Accountants and Risk Professionals Association (ARPA) to become an effective accounting professional body by developing a plan to comply with the membership requirements of the International Federation of Accountants;</li> <li>• Support on adoption and public consultations on new draft of Accounting Law;</li> <li>• Support on SOE governance reforms (co-funded by the WB budget).</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• TBD</li> </ul> |
| <p style="text-align: center;"><b>Expected Outcomes</b></p> | <ul style="list-style-type: none"> <li>• An improved Accounting Law that requires the provision of reliable and credible financial statements to investors and other stakeholders;</li> <li>• Improved capacity of the ARPA to build a stronger profession of accountants that produces reliable financial information;</li> <li>• Enhanced capacity of Government agencies in charge of financial reporting monitoring of PIEs.</li> </ul>  |
| <b>Belarus</b>  |  |
| <p style="text-align: center;"><b>Activity/Topic</b></p>    | <p>Policy Dialogue and Technical Assistance:</p> <ul style="list-style-type: none"> <li>• Support on adoption and public consultations on new draft of Audit Law and ISA adoption;</li> <li>• Support on SOE governance reforms (co-funded by the new EU TF);</li> <li>• Strengthening local audit profession (PAOs) and modernizing accounting education.</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• TBD</li> </ul>   |
| <p style="text-align: center;"><b>Expected Outcomes</b></p> | <ul style="list-style-type: none"> <li>• New Audit Law that adopts ISA and Code of Ethics in the country, introducing audit quality reviews;</li> <li>• Development of relationships among stakeholders, i.e. policy makers, regulators, profession and business;</li> <li>• Establishment of dialogue between Ministry of Finance and leading universities on improving the accounting and audit curricula;</li> <li>• Enhanced cooperation and understanding of IFRS by SOEs and their respective line ministries.</li> </ul>  |

| Georgia           |   |
|-------------------|---|
| Activity/Topic    | <p>Policy Dialogue and Technical Assistance:</p> <ul style="list-style-type: none"> <li>• Just in time support to the Public Oversight Board (SARAS) and implementation of Accounting and Auditing Law;</li> <li>• Strengthening local audit profession (PAOs) and modernizing accounting education.</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Non-Financial Information and Management Reports, February 1-2, Tbilisi</li> <li>• TBD</li> </ul>   |
| Expected Outcomes | <ul style="list-style-type: none"> <li>• Improved capacity in audit oversight and quality assurance inspections among SARAS staff;</li> <li>• Launch of electronic financial statements registry (ePortal);</li> <li>• Enhanced cooperation between the Government agencies that use financial information;</li> <li>• Improved cooperation between universities, PAOs and regulators in the field of corporate financial reporting.</li> </ul>   |
| Moldova           |   |
| Activity/Topic    | <ul style="list-style-type: none"> <li>• Policy Dialogue and Technical Assistance, particularly on review progress of adoption of bylaws and regulation to enforce the provisions of new A&amp;A laws to come into effect on January 01, 2019;</li> <li>• Tailored and targeted assistance to support reorganization and initial activities of the Public Oversight Body in accordance with new legislation;</li> <li>• Tailored and targeted assistance to support initial activities regarding implementation and enforcement of the new Accounting Law;</li> <li>• Assistance in finalizing the transposition tables in the field of accounting and auditing in accordance with adopted legislation;</li> <li>• Technical support in finalizing the development of the concept on reform initiatives in the field of accounting and audit education in Moldova;</li> <li>• Targeted workshop for National Bank of Moldova (NBM) on financial reporting by banks and links with prudential reporting and regulation;</li> <li>• Replication of STAREP regional events (A&amp;ACoP (1) and EduCoP (1));</li> </ul> |

|                          |  |
|--------------------------|--|
|                          | <ul style="list-style-type: none"> <li>• TA project preparation to support implementation of new legislation (subject to identification of development partners' financing).</li> </ul>  |
| <p>Expected Outcomes</p> | <ul style="list-style-type: none"> <li>• Improved legal framework (bylaws and regulations) in both accounting and auditing reflecting substantial alignment with the newly adopted laws (as measured by approved new bylaws and regulations, as required by new laws);</li> <li>• Improved understanding of the staff of reorganized POB in audit oversight and quality assurance inspections;</li> <li>• Increased capacity of banking supervisors to monitor quality of banks' financial statements;</li> <li>• Enhanced cooperation between the universities, PAOs and regulators in the field of corporate financial reporting;</li> <li>• Support in implementation of new A&amp;A legislation, as measured by identification of development partners financing and preparation of a potential TA project documentation.</li> </ul> |
| <p><b>Ukraine</b></p>    |  |
| <p>Activity/Topic</p>    | <p>Policy Dialogue and Technical Assistance:</p> <ul style="list-style-type: none"> <li>• Implementation support on two newly adopted Laws on Accounting and on Audit;</li> <li>• Just in time support to the newly established audit regulator in accordance with new legislation;</li> <li>• Strengthening local audit profession (PAOs) and modernizing accounting education.</li> </ul> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• TBD</li> </ul>   |
| <p>Expected Outcomes</p> | <ul style="list-style-type: none"> <li>• Support in implementation of new A&amp;A legislation;</li> <li>• Support for dialogue and relationships among key stakeholders, i.e. policy makers, regulators, profession and business;</li> <li>• Establishment of dialogue between Ministry of Finance and leading universities on improving the accounting and audit curricula;</li> <li>• Enhanced cooperation and understanding of IFRS by PIEs and their respective line ministries.</li> </ul>  |

## Program Administration and Financial Summaries

### Program Governance and Partners

Program priorities, planned activities as well as progress made are reviewed in regular meetings with senior officials representing the governments of the STAREP countries, typically Deputy Ministers of Finance. Meetings take place at least once a year and, in addition to addressing technical questions, provide an opportunity to review progress of the program and to endorse the work-plan.

Representatives from donors, regulators and standard setters, as well as market participants, are regularly consulted by the CFRR on technical questions as well as issues of program governance, and join select sessions of the senior officials' meetings. A Donor Advisory Council gathers formally once a year.

Financial support for STAREP and its activities is being provided by two sources: a Single-Donor Trust Fund with the European Commission; and the REPARIS Multi-donor Trust Fund and its donors – the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg.

STAREP is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR). Located in Vienna, 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 CFRR is an integral part of the Governance Global Practice of the World Bank. The program is structured along five components, with each component led by a senior specialist, ensuring high technical quality and the efficient use of the program's resources. Key team members include:

### Management

| Name             | Position         |
|------------------|------------------|
| Adenike Oyeyiola | Practice Manager |
| Jarett Decker    | Head, CFRR       |

## Country-relationship responsibilities

| Country    | CFRR              | Country Office                                    |
|------------|-------------------|---|
| Armenia    | Alfred Borgonovo  | Arman Vatyan                                      |
| Azerbaijan | John Hodge        | Tural Jamalov                                     |
| Belarus    | Natalie Manuilova | Irina Babich, Natalia Konovalenko (based in Kyiv) |
| Georgia    | Natalie Manuilova | Irina Gordeladze                                  |
| Moldova    | Andrei Busuioc    | Oxana Druta, Svetlana Platon                      |
| Ukraine    | Natalie Manuilova | Irina Babich, Natalia Konovalenko                 |

## Activity responsibilities

|                           |                                      |                    |
|---------------------------|--------------------------------------|--------------------|
| Overall program oversight |                                      | Jarett Decker      |
| Component 1               | Reform Momentum and Support          | Natalie Manuilova  |
| Component 2               | Accounting Education Reform          | Alfred Borgonovo   |
| Component 3               | Accounting and Auditing Standards    | Andrei Busuioc     |
| Component 4               | Financial Sector Practice Forum      | Pascal Frerejacque |
| Component 5               | Country-level Implementation Support | Natalie Manuilova  |
| Program Management        |                                      | Reinhard Haslinger |

## Financial Information

Financial information can be made available upon request.

## Annex

### Program Background

#### Program Development Objective

The STAREP program works with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine to build capacity in accounting and auditing, and develop and implement an institutional framework for corporate financial reporting which is in accordance with international accounting, auditing and accounting education standards. Progress towards achieving these aims is measured using a results framework. This sets out the intended outcomes supporting the overall development objective, the means of achieving these, and the method of assessment.

#### 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 program for Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) in October 2013. The program helps participating countries design and carry out reforms in corporate financial reporting. STAREP builds on the analysis and recommendations of the A&A ROSC program. It takes 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.

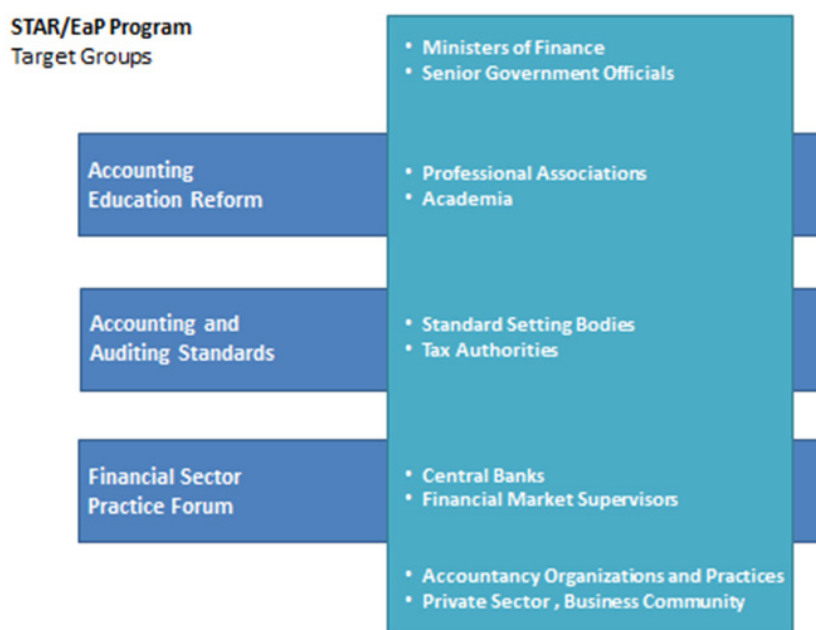
The program is structured around the notion of Engagement on Three Levels: knowledge and experience sharing; peer learning and targeted assistance; and supporting effective, sustainable implementation. Through expert presentations and professional facilitation, the program provides integrated advisory services, effective knowledge management, training, implementation support, and monitoring and evaluation assistance to the beneficiary countries.

The program puts a heavy focus on Learning from Each Other's Experiences. Regional knowledge transfer and experience-sharing activities achieve 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 helps facilitate communication and peer exchange.

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

The program aims 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.



The program is structured along three thematic components, and two cross cutting components plus program administration.



### Component 1 - Reform Momentum and Support

To maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials.

### Component 2 - Accounting Education Reform

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 qualifications; (iii) for continuing professional development of those already qualified.

### Component 3 – Accounting and Auditing Standards

To support the implementation of accounting and auditing frameworks that meet the requirements of good international practices and of the *acquis communautaire*, addressing the specific reporting needs of MSMEs, the application of International Financial Reporting Standards (IFRS), the IFRS for SMEs and International Standards on Auditing (ISA), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance arrangements for statutory audit.

### Component 4 – Financial Regulators Practice Forum

To build capacity and knowledge of IFRS among financial regulators, ensuring proper implementation of IFRS to contribute to market discipline, and reinforcing a clear and well defined relationship between IFRS reporting and prudential reporting.

### Component 5 – Country-level Implementation Support

STAREP is the only regional capacity development program in the area of CFR and provides valuable complementarity to country-specific initiatives. Tailored to individual country needs, activities include: providing help desk and ad-hoc advisory services to governments; advice and support in developing national activities; as well as implementation support and complementary activities to ongoing national projects.



## Results Framework

| Program Development Objective (PDO)<br>(Statement of what is expected to change as result of the program)   |
|---|
| Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EU Eastern Partnership (EaP) countries, by building the capacity of relevant practitioners, policymakers and stakeholders. |

### Outcomes: Contribution towards PDO

| Outcomes  | Outcome Indicators   | Means of Verification   | Institutional Constraints and Assumptions  |
|---|--|---|--|
| <b>Legal Framework Modernized including International Accounting and Auditing Standards Substantially Adopted</b> | <ul style="list-style-type: none"> <li>Environment conducive to international good practices, including EU directives</li> <li>Suitable accounting standards for PIES and SMEs in place</li> <li>Enhanced capacity of small/medium accounting and auditing practices</li> <li>Translation of standards into local languages available and regularly updated</li> </ul> | <ul style="list-style-type: none"> <li>Transposition tables</li> <li>A&amp;A ROSC Update</li> <li>Published standards</li> <li>Published financial statements</li> <li>Program progress reports</li> <li>Quality review report</li> </ul> | <ul style="list-style-type: none"> <li>Commitment of government and stakeholders to modernize the regulatory framework</li> <li>Government's ability to lead the reform process (including drafting of laws)</li> <li>Government and standard-setters' commitment to improving standards and compliance with these.</li> <li>Profession's commitment to quality</li> </ul> |
| <b>Institutional Capacity of the Profession Enhanced</b>  | <ul style="list-style-type: none"> <li>Certification/registration process in place</li> <li>Quality assurance systems established</li> <li>Translation of professional/ethical standards into local languages available and regularly updated</li> </ul>   | <ul style="list-style-type: none"> <li>Stakeholder survey</li> <li>Program progress reports</li> <li>A&amp;A ROSC Update</li> </ul>   | <ul style="list-style-type: none"> <li>Commitment of currently fragmented and weak accounting profession that lacks statutory or market recognition to take key role in reform process</li> </ul>  |

| Outcomes   | Outcome Indicators   | Means of Verification   | Institutional Constraints and Assumptions  |
|--|--|---|--|
| <b>Accounting Education Systems Modernized</b>   | <ul style="list-style-type: none"> <li>• Increased number of qualified accountants and licensed auditors</li> <li>• Closer alignment with IFAC’s International Education Standards (IES) and EU Statutory Audit Directive (SAD) including number of IES compliant courses and continuing education</li> </ul>                        | <ul style="list-style-type: none"> <li>• National register of qualified accountants and auditors</li> <li>• Employers survey</li> <li>• Program progress reports</li> <li>• A&amp;A ROSC Update</li> <li>• IFAC compliance program</li> </ul> | <ul style="list-style-type: none"> <li>• Capacity of professional associations to develop education and training materials in line with IES is limited</li> <li>• Good collaboration between professional associations and academia</li> <li>• Government commitment to modernizing education</li> </ul> |
| <b>Technical Capacity of Prudential Regulators in the Area of A&amp;A Strengthened</b> | <ul style="list-style-type: none"> <li>• Increased capacity of supervisors to monitor quality of institutions’ financial statements</li> <li>• Reconciliation approach to apply prudential filters in place</li> <li>• Increased number of financial statements reviewed by regulators in accordance with new regulations</li> </ul> | <ul style="list-style-type: none"> <li>• Training courses evaluation</li> <li>• Progress reports</li> <li>• A&amp;A ROSC Update</li> </ul>  | <ul style="list-style-type: none"> <li>• Commitment from financial supervisors to introduce appropriate training arrangements.</li> </ul>  |

## Outcomes per Component

| Component  | Intermediate Outcomes   | Indicators  | Outputs/ Means  |
|--|---|---|---|
| <b>Reform Momentum and Support</b>                                   | <ul style="list-style-type: none"> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reform</li> <li>• Senior policymakers in a position to make well-informed reform decisions</li> <li>• Information on reform and laws available online</li> </ul>                            | <ul style="list-style-type: none"> <li>• Number of participants at conferences and seminars</li> <li>• Number of exchanges with senior officials</li> <li>• CFRR website traffic</li> </ul> | <ul style="list-style-type: none"> <li>• Biennial ministerial level conferences and regular senior official seminars</li> <li>• Online information portal</li> <li>• Series of video conferences</li> <li>• Technical assistance and advice</li> </ul>  |
| <b>Development of the Profession and Accounting Education Reform</b> | <ul style="list-style-type: none"> <li>• Stakeholder awareness of existing education, qualification and licensing systems</li> <li>• Sharing of up-to-date educational material among countries</li> <li>• Agreement on common approach towards development of new syllabus, examinations and continuing education</li> </ul> | <ul style="list-style-type: none"> <li>• Number of workshop participants and returning participants</li> <li>• Assessments of level and quality of participation during events</li> </ul>   | <ul style="list-style-type: none"> <li>• Community of Practice workshop and exchange including Global Development Learning Network (GDLN) sessions</li> <li>• Collaboration with relevant international organizations</li> <li>• Technical advice</li> </ul>  |
| <b>Accounting and Auditing Standards</b>                             | <ul style="list-style-type: none"> <li>• Stakeholder awareness of international good practices for SME accounting standards</li> <li>• Increased understanding about common challenges and agreements on shared actions</li> <li>• Increased awareness and understanding of EU directives</li> </ul>                          | <ul style="list-style-type: none"> <li>• Number of workshop participants and returning participants</li> <li>• Assessments and degree of participation during events</li> </ul>             | <ul style="list-style-type: none"> <li>• Regular peer learning events through thematic Community of Practice activities</li> <li>• Partnering with relevant global bodies</li> <li>• Analytical and research support</li> <li>• Regular GDLN sessions</li> <li>• Technical assistance and advice</li> </ul> |

| Component                                   | Intermediate Outcomes  | Indicators  | Outputs/ Means   |
|---|--|---|--|
| <b>Financial Sector Practice Forum</b>      | <ul style="list-style-type: none"> <li>• Participants’ understanding of application of prudential filters</li> <li>• Awareness and knowledge of relevant IFRS and new standards</li> </ul>   | <ul style="list-style-type: none"> <li>• Number of workshop participants and returning institutions</li> <li>• Assessments and degree of participation during event</li> <li>• Follow-up surveys</li> </ul> | <ul style="list-style-type: none"> <li>• IFRS training events and exchanges</li> <li>• Virtual seminars</li> <li>• Analytical work and research</li> <li>• Peer to peer exchanges</li> </ul>   |
| <b>Country-level Implementation Support</b> | <ul style="list-style-type: none"> <li>• Support for the development and implementation of selected Country Action Plans</li> <li>• Sound policy guidance on country-specific requests</li> <li>• Country-level assistance as needed</li> <li>• Establishment of relationships among stakeholders, i.e. policy makers, regulators, international bodies</li> </ul> | <ul style="list-style-type: none"> <li>• Draft laws being developed</li> <li>• Number of reform events held in the country</li> <li>• A&amp;A ROSC updates</li> </ul>                                       | <ul style="list-style-type: none"> <li>• Technical assistance and support through mission travels</li> <li>• Establishment of a network of practitioners</li> <li>• Help desk for country specific requests</li> <li>• Country-level activities as needed</li> </ul> |



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