

## EDIF SUPPORT SERVICES PILLAR – ACTION FACTSHEET

### Action / Programme Name:

EU-REPARIS

### IFIs in charge:

World Bank Group

### Contact details:

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### Start date:

January 2015

### Expected end date:

June 2018

### Scope / Objectives of the initiative:

The objective of EU-REPARIS is to support the implementation of corporate financial reporting frameworks in line with the EU *acquis communautaire* in the six countries of Southeast Europe with a view to promoting enhanced availability, transparency and reliability of financial information. Specific objectives by main components (1 to 4) include:

- 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;
- 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;
- To provide practical guidance and solutions to facilitate easier access to finance, and 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; and
- To maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials, and to facilitate knowledge capturing and sharing through online information portal and other knowledge management activities.

### Rationale within EDIF:

EU-REPARIS supports a functioning business and investment climate and builds on existing efforts as well as strong client demand. A requirement for EU accession, a strong financial reporting environment adapted to the needs and capacity of different types of businesses helps create a business climate conducive to sustainable economic growth and reducing the barriers high-potential SMEs and the business sector at large face in accessing finance. More specifically:

- For high-potential SMEs seeking venture capital finance, appropriate financial reporting standards (such as the IFRS for SMEs) can reduce the barriers to an eventual flotation, making venture capital (early stage equity) investment more attractive.
- Adopting shared and internationally recognized reporting standards across Southeast Europe makes it easier for domestic businesses to expand to operating on the regional and the wider European markets – a key factor for growth.
- The credibility provided by sound financial reporting gives banks and other providers of external finance the confidence to move beyond basing lending decisions solely on the collateral available toward lending on the basis of the business cash flows.
- Modern and effective financial reporting systems, if aligned with national tax systems, can also help to reduce the burden of tax compliance.

- Relevant financial reporting can help businesses monitor which activities generate the greatest returns and thus manage their operations more effectively.

### Services provided by the programme:

#### Component 1: Corporate Financial Reporting Reform

##### a) CFR Community of Practice

The activity provides direct technical assistance for the alignment of company law with the acquis and for candidate countries' to transpose the acquis, drawing on the experience of countries that have completed this process, especially Croatia. Ensuring increased transparency and confidence, the activity promotes and supports the enforcement of high standards of financial reporting that meet the needs of business management as well as potential investors thus contributing to an improved business environment and investment climate fostering private sector and particularly SME development.

##### b) In-country and Implementation Support

The activity helps create effective links between the regional program and country-level implementation of national activities. Tailored to the needs of individual countries, help-desk type of assistance and on-demand technical assistance is being provided and addresses country or institutional specific needs/requests. Assistance allows for trouble-shooting specific technical issues during the program delivery phase as well as to provide individual and specific institutions with tailored technical advice, as appropriate. The activity is also intended to facilitate monitoring and evaluation of progress made in financial reporting reforms and related capacity development in beneficiary countries.

#### Component 2: Education and Capacity Development

##### a) Education Community of Practice:

In support of educating and training individuals to become and remain highly qualified accountants, this activity supports the development of internationally compatible accounting education for professional qualification, continuing professional development, and at university level.

##### b) Training of Trainers

The activity provides training sessions for professional accounting organizations to allow them to equip themselves with tools to train accountants in providing effective financial reporting support to private sector enterprises.

#### Component 3: Access to Finance and Financial Sector

##### a) Pilot Project on SME Reporting:

The activity is expected to support an ongoing dialogue with banks, chambers of commerce, and business associations to develop a common understanding of financial information required for a loan application and the relevance of audited financial statements.

##### b) Financial Reporting for Supervisors

This activity is to support financial regulators in acquiring the necessary skills to analyze financial statements of banks prepared under IFRS and explore regulation that would require banks to obtain audited financial statements or other type of assurance for loans over certain thresholds. It will also aim at providing financial regulators a better understanding of the work of auditors, the various type of assurance and type of opinion that an auditor can issue on financial statements.

#### Component 4: Regional Cooperation and Knowledge Sharing

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.

**Target Beneficiary(ies):**

Ministries of Finance, Regulators, Standard setters, Accountancy Profession, Academia, Business community.

**Countries coverage:**

Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia.

**Milestones achieved to date:**

The project's administration agreement was signed in August 2014. The predecessor program to EU-REPARIS, REPARIS, came to an end in December 2014. The initial EU-REPARIS activities are under preparation and the project will be launched in early 2015.

**Main milestones before project completion:**

Planned activities for 2015 include:

- The dissemination of the 3rd issue of the brochure on the acquis communautaire in the area of corporate financial reporting (February 2015)
- A joint CFRR/EBRD event in Belgrade in March 2015
- A CFR CoP event in the second quarter of 2015
- The annual Senior Officials Workshop in May 2015 and
- Ongoing in-county technical assistance throughout the year.