

# REPARIS

Road to Europe: Program of Accounting  
Reform and Institutional Strengthening



## Interim Progress Report

1 January - 30 June 2012



The World Bank Centre for Financial Reporting Reform



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## Introduction

We are pleased to present the interim report for the REPARIS program covering the first half of 2012.

The first section of this interim progress report presents a summary of activities<sup>1</sup> carried out under the REPARIS regional program in the first half of 2012, describes how the program's approach has taken account of lessons learned during the program period, and outlines the main activities that are planned for the second half of the year. A table presents in more detail the program's activities and intermediary results in terms of the results framework that was adopted in 2011. The second section of the report presents a summary of the REPARIS project in Albania including lessons learned and a table on main activities implemented and intermediary results achieved.

The May 31 Ministerial Conference has given a clear sense of the progress achieved since 2009. At the same time much remains to be accomplished, and the participating countries remain fully committed to the program's objectives. In that sense, 2012 will be a year of transition, and an even greater emphasis will be placed on reform implementation in 2013 and beyond.

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<sup>1</sup> Detailed reviews of each event can be found on the CFRR website.



## List of Abbreviations and Acronyms

A&A	Accounting and Auditing	IES	International Education Standards for Professional Accountants
ASEM	Academy of Economic Studies of Moldova	IFAC	International Federation of Accountants
BiH	Bosnia and Herzegovina	IFRS	International Financial Reporting Standards
CFR	Corporate Financial Reporting	IPA	Instrument for Pre-Accession Assistance
CFRCoP	Corporate Financial Reporting Community of Practice	ISA	International Standards on Auditing
CFCU	Central Finance and Contracting Unit (Albania)	MDTF	Multi-Donor Trust Fund
CFREP	Corporate Financial Reporting Enhancement Project (Albania)	M&E	Monitoring and Evaluation
CFRR	Centre for Financial Reporting Reform	MoF	Ministry of Finance
CNB	Croatian National Bank	NAC	National Accounting Council (Albania)
CoP	Community of Practice	NAS	National Accounting Standards
CPD	Continuing Professional Development	OECD	Organization for Economic Cooperation and Development
EBRD	European Bank for Reconstruction and Development	PAO	Professional Accountancy Organization
EC	European Commission	QA	Quality Assurance
EDIF	Enterprise Development and Innovation Facility	REPARIS	The Road to Europe: Program of Accounting Reform and Institutional Strengthening
EduCoP	Accounting Education Community of Practice	ROSC	Report on the Observance of Standards and Codes
EIB	European Investment Bank	RS	Republika Srpska
EU	European Union	SAAA	Serbian Association of Accountants and Auditors
FBIH	Federation of Bosnia and Herzegovina	SAD	Statutory Audit Directive
FEE	Federation of European Accountants	SCAAK	Society of Certified Accountants and Auditors of Kosovo
FMA	Financial Market Authority (Austria)	SME	Small or Medium-sized Enterprise
FSB	Financial Stability Board	SMP	Small and Medium-sized Practice
IAASB	International Auditing and Assurance Standards Board	STAR	Strengthening Auditing and Reporting
IASB	International Accounting Standards Board	XBRL	Extensible Business Reporting Language
IEKA	Albanian Institute of Authorized Auditors		

## About REPARIS

The Road to Europe – Program of Accounting Reform and Institutional Strengthening (REPARIS) is a multi-donor trust fund (MDTF) that aims to assist countries in adopting and implementing effective corporate financial reporting systems, aligned with the EU *acquis communautaire*. Beneficiary countries currently include Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro, Moldova and Serbia. The MDTF currently finances a World Bank-executed program (referred to as the regional program), which makes available activities to all countries, and a national project in Albania which is led by the Albanian Government. Funding for the REPARIS MDTF is provided by the Austrian Development Agency, the Austrian Finance Ministry, the Grand Duchy of Luxemburg, and the Swiss State Secretariat for Economic Affairs. The REPARIS MDTF is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR). It was established in late 2008 and is currently due to run until the end of 2013.



## 1. Regional Activities

### 1.1 Main Developments

#### **Reviewing progress and confirming commitment to reform: Ministerial Conference brings together ministers, global standard-setters and stakeholders**

The REPARIS Ministerial Conference held on 31 May attracted nearly 200 participants, including ministers and senior representatives from all eight countries participating in REPARIS along with a wide range of participants from other countries, regional bodies and international organizations, including the European Commission (EC), IASB, IFAC and the FSB. The Conference confirmed the commitment of senior policy-makers to continued reform of corporate financial reporting and their support for the regional approach of the REPARIS program. A survey of conference participants carried out after the event showed a high level of satisfaction with both the content and organization of the conference.

The CFRR organized three complementary and more specialized events around the Ministerial Conference – a workshop for financial regulators on 30 May, a forum for professional accountancy organizations on 1 June (jointly organized with IFAC), and a workshop on financial reporting and auditing also on 1 June. These three events were targeted toward technical, working-level counterparts from the REPARIS countries and allowed participants to discuss in more detail (a) their progress in particular components of financial reporting reform, (b) recent developments in the international and European regulatory frameworks, and (c) the future priorities both for REPARIS as a whole and for the work of the individual REPARIS communities of practice (CoPs).

#### **Extending and broadening support for reform: EU-REPARIS and Program for EU's Eastern Partnership**

The current REPARIS program is due to end in 2013 or early 2014. However, the process of reform of corporate financial reporting in the REPARIS countries will not be completed by then and the participating countries have expressed strong support for the work of REPARIS to be continued beyond its planned end date. Over the last year, the CFRR has been working with its partners to design a successor program for REPARIS. In the first half of 2012, the EC's Directorate General for Enlargement agreed to support EU-REPARIS, a successor program to REPARIS which will focus on the reform of corporate financial reporting in the candidate and potential candidate countries of the Western Balkans, with a particular emphasis on the needs of small and medium-sized enterprises (SMEs). EU-REPARIS will form part of the Enterprise Development and Innovation Facility (EDIF), a new program to assist the development of high potential SMEs in the Western Balkans which is being set up by the EBRD, OECD, EIB and the EC. All the countries participating in REPARIS with the exception of Moldova (which is not a potential candidate for accession to the EU), will take part in EU-REPARIS, which is planned to start in 2014.

Following up on a request by donors and countries of the EU Eastern Neighborhood, particularly the countries of the Eastern Partnership (EaP), the CFRR has also been developing a parallel regional program to support the reform of corporate financial reporting in several of the countries of the Black Sea and South Caucasus regions. The proposed program will have a similar approach to REPARIS and will be based on regional co-operation, peer learning, and knowledge transfer, it will bring together Azerbaijan, Armenia, Georgia, Ukraine and Moldova which is a current beneficiary of REPARIS. The CFRR is currently discussing the practical details of the new program with donors and participants and the program is tentatively scheduled to begin in 2013.

#### **Improving audit regulation and education**

The Accounting Education CoP (EduCoP) and the Corporate Financial Reporting CoP (CFRCoP) held a joint workshop on building effective audit regulation and education, on 7-8 February 2012 in Vienna. The workshop reviewed REPARIS countries' progress in implementing the EU's Statutory Audit Directive, especially its educational requirements, and discussed the latest developments in the EU *acquis communautaire* in accounting and auditing and planned changes to international accounting education standards (IES). Participants also discussed how the two CoPs could contribute to a planned "Training of trainers" course on auditing to be delivered later in 2012.



### **Enhancing the ability of banking regulators to rely on IFRS-based financial statements**

The CFRR also organized, in co-operation with the Croatian National Bank (CNB), a two-day workshop on 18-19 April 2012 on the implications of recent developments in IFRS and in the EU's system of prudential regulation for banking regulators in South-East Europe. The workshop, which was held at the CNB in Zagreb, was attended by 40 participants and discussed how regulators could use financial statements prepared under IFRS to improve the way that they carried out their supervisory duties. In addition to gaining a better understanding of the changes that the new reporting standard on financial instruments (IFRS 9) is likely to bring, participants learned how the EU's FINREP framework for financial reporting and the XBRL taxonomy could make their financial and prudential reporting systems more effective.

### **Supporting reform on the ground: sustained country-level engagement**

In line with the REPARIS Program Plan for 2012, the CFRR has devoted an increased share of REPARIS resources to in-country engagement and supporting national reform efforts. This has involved an intensive program of visits, with senior technical experts from the CFRR visiting each of the REPARIS countries to assist with program implementation and technical questions. The visits to Kosovo and Macedonia also contributed to the preparation of updated A&A ROSCs in the two countries. In Macedonia, the CFRR strongly advised the MoF to consider amending the proposed law on accounting services to remove potentially negative effects on the quality of financial reporting and the development of accounting capacity. The CFRR assisted the Bosnian authorities in preparing a national A&A project but, although this project appeared on the shortlist for IPA support, it was not selected for funding.

### **Looking forward: lessons learned and outlook for the second half of 2012**

The CFRR continues to adapt its approach to the implementation of REPARIS to take account of experience gained in earlier stages of the program. As a result of discussions at the Ministerial Conference, it has become clear that, while those currently responsible for implementing corporate financial reporting reforms are committed to the reform process, a broader base of support for reform needs to be created in governments and the business community in order to reduce the danger that personnel changes in a small number of key positions could significantly delay progress in designing and carrying out reforms.

The CFRR is basing REPARIS activities in the second half of 2012 on the plans set out in the REPARIS Program Plan for 2012, taking account of developments since the Program Plan was drawn up in late 2011. The EduCoP and CFRCoP are jointly organizing a "Training-of-trainers" workshop on auditing, with a particular focus on International Standards in Auditing (ISA), in September 2012. Two more workshops focusing on concordance tables (for the CFRCoP) and on the use of IFRS by insurance supervisors (for the IFRS for Regulators group) are planned for the second half of the year. The CFRR will continue with its schedule of in-country visits to maintain and broaden support for financial reporting reforms while also providing tailored assistance to solving specific technical issues in participating countries. The work on the A&A ROSCs will continue with the finalization of the Kosovo report and the completion of the Macedonia report.

Over the next few months, the CFRR will draw up a program plan for REPARIS in 2013, which will be the last full year of the current program. The 2013 program plan will be designed to ensure a smooth transition and synergy with the future EU-REPARIS and the program for the Eastern Partnership countries.



## 1.2 Activities and Results by Component

Activity	Key inputs and outputs Jan-June 2012	Key intermediate outcomes
<p><b>Component 1: Reform Momentum and Regional Cooperation</b></p>		
<p>Component 1 aims to foster support for the program's objectives and commitment to its effective implementation from Ministers of Finance, their Deputies and Senior Officials.</p>	<p>The <b>REPARIS Ministerial Conference</b> on 31 May discussed how financial reporting can help the region deal with the economic problems raised by the financial crisis and the current difficulties in the euro zone.</p>	<p>Ministers from eight countries of South-East Europe and a Vice-President of the World Bank were among nearly 200 participants from 27 countries at the conference. Program progress and results were reviewed and complemented by ministers who stressed the support of REPARIS with regard to improving business climate and EU integration/acquis transposition. A continuation beyond the current program end date 2013 was endorsed by ministers. The EC's Director General for Enlargement announced plans to allocate funds to EU REPARIS.</p>
<p><b>Component 2: Curricula Development and Education and Training Reform in Accounting and Auditing</b></p>		
<p>Component 2 aims to promote internationally compatible accounting education at (i) university level; (ii) for professional qualification; (iii) for continuing professional development.</p>	<p>The EduCoP and CFRCoP organized a regional workshop on audit regulation and education in Vienna on 7-8 February 2012 to review progress and share experiences with regard to implementing and transposing the Statutory Audit Directive (SAD).</p>	<p>Participants shared their experiences in implementing the provisions of the SAD. A learning DVD on quality assurance procedures was distributed to stakeholders. The two CoPs agreed to develop a "training of trainers" course on ISAs to be delivered later in 2012.</p>
	<p>A joint CFRR-IFAC regional forum for professional accountancy organizations (PAOs) on 1 June discussed how professional accountants could improve their ability to provide business advice and how to create a sustainable structure for the profession which served the public interest.</p>	<p>Participants gained first-hand information about the issue that SMPs face in seeking to offer a broader set of services. They also familiarized themselves with the tools that IFAC can provide to support SMPs. Participants also explored issues regarding the sustainability of PAOs and how these could be addressed.</p>
<p><b>Component 3: Moving Forward in Accounting and Auditing</b></p>		
<p><b>(i) Financial Reporting and Audit and Oversight</b> aims to promote the implementation of corporate financial reporting systems that are aligned with the <i>acquis</i> and meet the needs of users of financial statements, and to promote the quality of external audit by assisting in the implementation of the SAD.</p>	<p>For details of the joint workshop on audit regulation and education on 7-8 February 2012, see Component 2.</p>	<p>See Component 2 above.</p>
	<p>A financial reporting and auditing workshop for senior officials and other policy-makers from the countries participating in REPARIS on 1 June looked in more detail at recent international developments in accounting and auditing and the challenges that the REPARIS countries face in implementing EU directives in corporate financial reporting.</p>	<p>As a result of the workshop, participants are fully up to speed on recent international developments in accounting and auditing regulation (EC, IAASB, IASB, FEE).</p>



Activity	Key inputs and outputs Jan-June 2012	Key intermediate outcomes
<p>(iii) IFRS for Regulators aims to help financial sector regulators to enhance the use of IFRS for regulatory purposes.</p>	<p>A workshop for banking regulators organized jointly with the CNB on 18-19 April in Zagreb discussed the implications of recent developments in IFRS and in the EU's system of prudential regulation for the region's banking regulators.</p>	<p>Participants are more familiar with the implications of the latest changes in the international and EU regulatory frameworks.</p>
	<p>A regional workshop on 30 May brought together financial supervisors from the REPARIS countries with international experts to discuss recent developments and how auditors can contribute to bank supervision.</p>	<p>Participants are much more aware of the benefits of using auditors to improve bank supervision.</p>

**Component 4: Implementation Support, M&E, Results Framework and Knowledge Management**

(i) **Implementation support** aims to assist countries in shaping and implementing national reform efforts, drawing on lessons learned from the experience of other countries in the region.

<p><b>Albania</b></p>	<p>Activities under regional REPARIS provided support to local institutions. To ensure timely delivery, the CFRR is providing monitoring and program management support on a daily basis. For more detailed information, see the CFREP section below.</p>	<p>Project management and operational capacities for the implementation of the national project are fully functional, and appropriate support is in place. For more detailed information, see the CFREP section of this report below.</p>
<p><b>Bosnia and Herzegovina</b></p>	<p>Policy discussions held in <i>Republika Srpska</i> (RS) and the Federation of Bosnia and Herzegovina with the respective MoFs, financial supervisors and representatives of the A&amp;A profession. The implementation of ROSC recommendations was monitored. Audit training was provided in Banja Luka as part of the support to the CPD system of the RS Association of Accountants and Auditors.</p>	<p>The CFRR has helped the MoFs to identify priority actions. Lack of capacity remains a barrier to implementing the A&amp;A ROSC recommendations. Over 100 audit professionals gained in-depth understanding of audits performed according to ISA.</p>
<p><b>Croatia</b></p>	<p>A two-day seminar on IFRS and prudential regulation was held at the CNB during which the FMA (Austria) shared their experience in reviews of IFRS financial statements.</p>	<p>40 CNB staff enhanced their capacity for reviewing banks' financial statements prepared under IFRS, a key aspect of modern financial supervision.</p>
<p><b>Kosovo</b></p>	<p>Three missions undertaken to prepare the A&amp;A ROSC Update, incl. meetings with all stakeholders including Central Bank, MoF, local PAO (SCAAK) and Financial Reporting Council.</p>	<p>Kosovo stakeholders are generally active participants in regional activities. These have made the MoF and SCAAK aware of the need for further work to align the national reporting framework with the <i>acquis</i>.</p>
<p><b>FYR Macedonia</b></p>	<p>Two missions undertaken to start work on the A&amp;A ROSC Update. CFRR engaged a national consultant, and undertook a wide range of meetings with stakeholders in CFR reform.</p>	<p>The Chamber of Auditors has completed the second round of QA reviews of audit firms.</p>
<p><b>Moldova</b></p>	<p>A round table on modernizing A&amp;A curricula and a workshop on building effective regulation and education were held.</p>	<p>A consensus has been reached among key stakeholders on how to develop new core A&amp;A curricula for universities aligned with good international practice</p>



Activity	Key inputs and outputs Jan-June 2012	Key intermediate outcomes
<p>Component 4 (continued)</p> <p><b>Moldova</b> (continued)</p> <p><b>Montenegro</b></p> <p><b>Serbia</b></p>	<p>The CFRR helped the leading university (ASEM) to modernize its curricula and the MoF to prepare a draft transposition table of auditing legislation. A project application on improving A&amp;A curricula was submitted to the South-South Exchange Facility. Bilateral meetings were held with the MoF regarding the implementation of audit quality assurance.</p> <p>The CFRR made one mission to Podgorica and provided desk-based technical assistance to support the MoF's initiative to develop a new audit law better aligned with the <i>acquis</i>.</p> <p>Two missions to Belgrade to support MoF in development of new audit and accounting laws and to assist other CFR stakeholders including a Train the Trainers Course in IFRS for SMEs to more than 100 members of the Serbian Association of Accountants and Auditors (SAAA).</p>	<p>ASEM submitted an application for accreditation with an internationally recognized accountancy body and expects to receive a preliminary assessment in September 2012. MoF is more aware of the pros and cons of different regulatory models for audit QA and able to make informed policy decisions in that regard.</p> <p>The MoF have developed proposals for a draft law that aligns audit requirements with the SAD. The PAO has twinned with the Slovenian Institute of Auditors to improve its capacity to deliver higher-quality CPD.</p> <p>Draft A&amp;A laws completed by MoF staff. The MoF has mandated formal implementation of ISAs. Though elections have delayed approval of new laws, the Serbian authorities and stakeholders remain committed to CFR reform. SAAA signed reciprocal recognition qualifications agreement with the FBiH Association.</p>
<p><b>(ii) Results Framework</b> aims to develop methods to evaluate reform programs in financial reporting and to assess its level of development.</p>	<p>The results framework was completed in 2011.</p>	
<p><b>(iii) Knowledge Management</b> aims to ensure that the lessons learned and resources developed in the REPARIS program are shared throughout the region.</p>	<p>The CFRR website was upgraded with regard to design, registration services, and materials for events. The CFRR sent out its electronic newsletter in January and May, with a special newsletter on the Ministerial Conference in June.</p>	<p>Over 15% of total website visitors and about 40% of newsletter recipients are from REPARIS countries. Figures for usage of the website and newsletters confirm that the web-based resources provided under REPARIS continue to be popular.</p>
<p><b>Component 5: Program Management and Administration</b></p>		
<p><b>Program management</b></p>	<p>Completed the 2011 progress report and conducted a virtual review meeting with donors.</p>	<p>Cleared progress report 2011 with donors and secured approval for the budget for 2011.</p>
<p><b>EU-REPARIS</b></p>	<p>Completed a draft concept note for a REPARIS successor program (EU-REPARIS) to assist those REPARIS countries with EU pre-accession status from 2014. CFRR held meetings with REPARIS stakeholders, EC, OECD, EIB and others.</p>	<p>Confirmed that EU-REPARIS will be an integral part of the EDIF technical assistance program with a tentative funding envelope of EUR 3.6 million for 2014-2016. The CFRR is now exploring funding instruments and trust fund options for EU-REPARIS.</p>
<p><b>Program for countries of the EU's Eastern Partnership</b></p>	<p>Completed a draft concept note for a program for countries of the EU's Eastern Partnership (i.e., Black Sea and South Caucasus), to begin in 2013. Plans received positive feedback from donors and in-country stakeholders in Armenia, Azerbaijan, Georgia and Moldova.</p>	<p>Four countries have confirmed their participation. The CFRR has tentatively identified a funding vehicle, and a provisional funding envelope of EUR 2.2 million. It is working with the World Bank Trust Fund unit and donors to make appropriate changes to the REPARIS MDTF.</p>



## 2. Albania Corporate Financial Reporting Enhancement Project (CFREP)

### 2.1 Main Developments

#### Project set-up completed and most components now active

Consultants for most activities of the CFREP program have now been appointed. Substantive work on Component 1 (improving the legal framework) and Component 2 (strengthening accounting standards setting) has already begun; contracts have also been signed for the procurement of the necessary hardware and software needed for Component 2 and Component 3 (establishing an audit oversight system). The selection process for consultants for Component 3 has been finalized and the contract is expected to be signed in July 2012. In contrast, progress in Component 4 (improving accounting and auditing curricula) has been slower as, although the selection process for the consultant was under way, no appointment had been made by 30 June. The main reason for delay is that the procurement process had to be restarted as the first attempt did not lead to the selection of a qualified consulting firm.

#### Lessons learned

Delays in selecting consultants and signing contracts have been caused by the complexity of the recruitment process and by complications in negotiating contracts. The government remains committed to achieving the project's goals and the Reform Implementation Group, which is in charge of implementing the project and is headed by the Deputy Minister of Finance, has functioned effectively. However, the capacity of the key stakeholders to plan program activities and to manage project resources is limited. To mitigate the resulting risks, the government project administration unit (the Central Finance and Contracting Unit – CFCU), with support from REPARIS, is continuously monitoring processes and deadlines to ensure the successful completion of deliverables.

#### Outlook for the second half of 2012

Several key deliverables under Component 1 (a concordance table, draft amendments and a timetabled road map for reforms) are expected to be completed by the end of 2012. These will support the development of regulations for the public oversight system, as well as detailing the changes required for National Accounting Standards (NAS) to comply fully with the *acquis*. Most of the deliverables under Component 2 will also be submitted by the end of 2012. These include: (i) finalized draft regulations, procedures and manuals for the National Accounting Council (NAC), (ii) on-the-job training, (iii) completion of a survey on the implementation of the NAS, (iv) a consolidated version of translated IFRS, (v) a report comparing the IFRS for SMEs with the NAS, (vi) training of NAC staff on IFRS translation, adoption and publication, (vii) training on IFRS for SMEs. The implementation of Component 3 will start in July 2012. An assessment of roles and responsibilities of the various actors in the system of public oversight, together with proposals to improve the oversight system is planned for the second half of 2012. Component 4 will become effective in the second half of 2012. The selected consultant is expected to assess current accounting and auditing curricula offered in universities and professional bodies, and to prepare proposals for their improvement in the first half of 2013.



## 2.2 Activities and Results by Component

Activity	Key inputs and outputs Jan-June 2012	Key intermediate outcomes
<b>Component 1: Improving the legal framework in the area of corporate financial reporting</b>		
<p>This component involves technical assistance and workshops to establish a sound basis for corporate financial reporting legislation in the light of the EU <i>acquis communautaire</i>.</p>	<p>The appointed consultant completed a scoping mission and provided a draft inception report. Local beneficiaries have given their comments. Presentation given to National Steering Committee for Reform on methodology, action plan, and potential challenges in transposition the <i>acquis</i>.</p>	<p>The program has secured a high degree of awareness among stakeholders and they are participating proactively in the process of updating the legal framework.</p>
<b>Component 2: Strengthening the capacity of the National Accounting Council</b>		
<p>Under this component, the capacity of the NAC will be strengthened, as well as processes for the setting and endorsement of financial reporting standards, through technical assistance and training.</p>	<p>The appointed consultant completed the first scoping mission, prepared a work plan and draft inception report, and discussed the next steps with local beneficiaries. Contracts for purchasing hardware and software to support the translation of international standards and the public register of auditors were signed in March and June, respectively. This activity falls under both components 2 and 3.</p>	<p>The NAC is fully engaged and has taken leadership in strengthening its capacity with the support of a consultant. Hardware and software will soon be available to facilitate the translation of standards.</p>
<b>Component 3: Establishment of an audit oversight system</b>		
<p>Under this component, the project will provide technical assistance, workshops and tools to support strengthening of the recently established public audit oversight system. The beneficiaries are the Public Oversight Board and IEKA.</p>	<p>Consultant contracted in June. A scoping mission and a draft inception report are due in coming months. See component 2 above for purchases of hardware and software.</p>	<p>Consultant now ready to begin substantive work to help strengthen the audit oversight system. See component 2 above for purchases of hardware and software.</p>
<b>Component 4: Improving accounting and auditing curricula for university education and professional certification</b>		
<p>Under this component, the project will assist universities, PAOs and the examination center to lay the foundations for sustainable curricula for A&amp;A education and the certification of accountants and auditors.</p>	<p>The process for selecting a consultant is under way.</p>	<p>Not yet applicable as the selection process has not been completed.</p>
<b>Component 5: Project management, strengthening reform capacity, and monitoring and evaluation</b>		
<p>This component covers the necessary operating costs related to project management.</p>	<p>The CFCU, an international strategic consultant and a local coordinator are all in place.</p>	<p>The project management and operational capacities needed to implement the project are now all in place.</p>



### 3. Financial Summary

#### 3.1 Trust Fund Movements and Balances

The following table shows movements and balances in the REPARIS MDTF, including all regional components as well as the Albania country project. New donor allocations in the first half of 2012 include two contributions of EUR 200,000 each made by the Grand Duchy of Luxembourg. Total disbursements in the first half of 2012 came to EUR 592,911, leading to outstanding balances of EUR 2,010,996 for regional activities (EUR 857,772 in the regional disbursing fund and EUR 1,153,224 in the main fund) and of EUR 1,124,323 for activities in Albania for the remaining period of the program. Note that these balances do not include a further contribution of EUR 200,000 by the government of Luxembourg which is expected to be received in 2013.

Overview Trust Fund - 30 June 2012						
	Balance at 1 Jan 2012	New Donor Contributions **	Allocations to disbursing funds	Investment Income	Disbursements Jan-Jun 2012	Balance at 30 Jun 2012
	a	b	c	d	e	a+b+c+d-e
<b>Component 1</b>	64,215		220,396		174,829	109,782
<b>Component 2</b>	99,095		102,065		78,388	122,772
<b>Component 3</b>	466,969		68,744		190,551	345,162
<b>Component 4</b>	228,967		8,549		67,511	170,005
<b>Component 5</b>	139,509		21,655		51,114	110,050
<b>Subtotal - regional</b>	<b>998,755</b>		<b>421,409</b>		<b>562,392</b>	<b>857,772</b>
<b>Albania</b>	1,139,601		0		15,278	1,124,323
<b>Total Disbursing funds</b>	<b>2,138,356</b>		<b>421,409</b>		<b>577,671</b>	<b>1,982,094</b>
<b>Main fund*, #</b>	1,165,370	400,000	(421,409)	24,504	15,240	1,153,224
<b>Total</b>	<b>3,303,726</b>	<b>400,000</b>		<b>24,504</b>	<b>592,911</b>	<b>3,135,319</b>

\* Main fund handles investment income, donor contributions not yet transferred to disbursing funds, and the 2% fee  
# Corrected balance from EUR 1,163,242 to 1,165,370 includes investment income 2011 corrected from EUR 47,856 to 49,983  
\*\* New donor contributions: Grand Duchy of Luxembourg: EUR 400,000



### 3.2 Planned and Actual Disbursements

The following table compares the budget, disbursements and unspent funds in the disbursing funds for regional activities and the Albania country project. The overall disbursements for regional activities represent 45% of the Budget for 2012 (full year), i.e., they are broadly in line with the schedule envisaged in the Program Plan for 2012. It should be noted that around EUR 650,000 of commitments incurred for the Albania country project were not processed and paid for by 30 June 2012, and are therefore not reflected in the disbursements breakdown.

<b>Overview Budget as per Program Plan 2012</b>			
	<b>Budget Jan-Dec 2012</b>	<b>Disbursements Jan-June 2012</b>	<b>Unspent budget 30 Jun 2012</b>
	a	c	b-c
<b>Component 1</b>	233,500	174,829	58,671
<b>Component 2</b>	191,100	78,388	112,712
<b>Component 3</b>	470,025	190,551	279,474
<b>Component 4</b>	201,200	67,511	133,689
<b>Component 5</b>	155,000	51,114	103,886
<b>Subtotal - regional</b>	<b>1,250,825</b>	<b>562,392</b>	<b>688,433</b>
<b>Albania</b>	675,000	15,278	659,722
<b>Total Disbursing Funds</b>	<b>1,925,825</b>	<b>577,671</b>	<b>1,348,154</b>

### 3.3 Disbursements - Regional Activities

The following table gives a detailed breakdown of expenditures by cost categories in the regional components including staff and consultants, travel and transport, meetings and other.

<b>Disbursement Details regional activities - 30 June 2012</b>						
<b>Components</b>	<b>C1</b>	<b>C2</b>	<b>C3</b>	<b>C4</b>	<b>C5 *</b>	<b>Total</b>
Staff and Consultants	32,122	28,939	88,583	54,507	25,578	<b>229,729</b>
Travel and Transport	7,505	4,457	19,200	7,194		<b>38,356</b>
Meetings	127,782	43,939	81,763	1,436	3,700	<b>258,620</b>
Other^	7,420	1,053	1,005	4,373	21,836	<b>35,687</b>
<b>Total</b>	<b>174,829</b>	<b>78,388</b>	<b>190,551</b>	<b>67,511</b>	<b>51,114</b>	<b>562,392</b>

\* C5 includes office operating and maintenance costs

### 3.4 Disbursements - Albania CFREP

A total of EUR 125,677 has been disbursed to the client including EUR 15,278 in the past six-month reporting period. Several activities and actions involving significant future disbursements (activities under Components 1, 2 and 3), were either initiated or completed close to the end of the reporting period. Disbursement of payments for most of these activities will only be made after the work has been completed. It is therefore expected that much of the EUR 650,000 of outstanding commitments for this work will be disbursed in the second half of 2012.

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