



Strategy and Action Plan

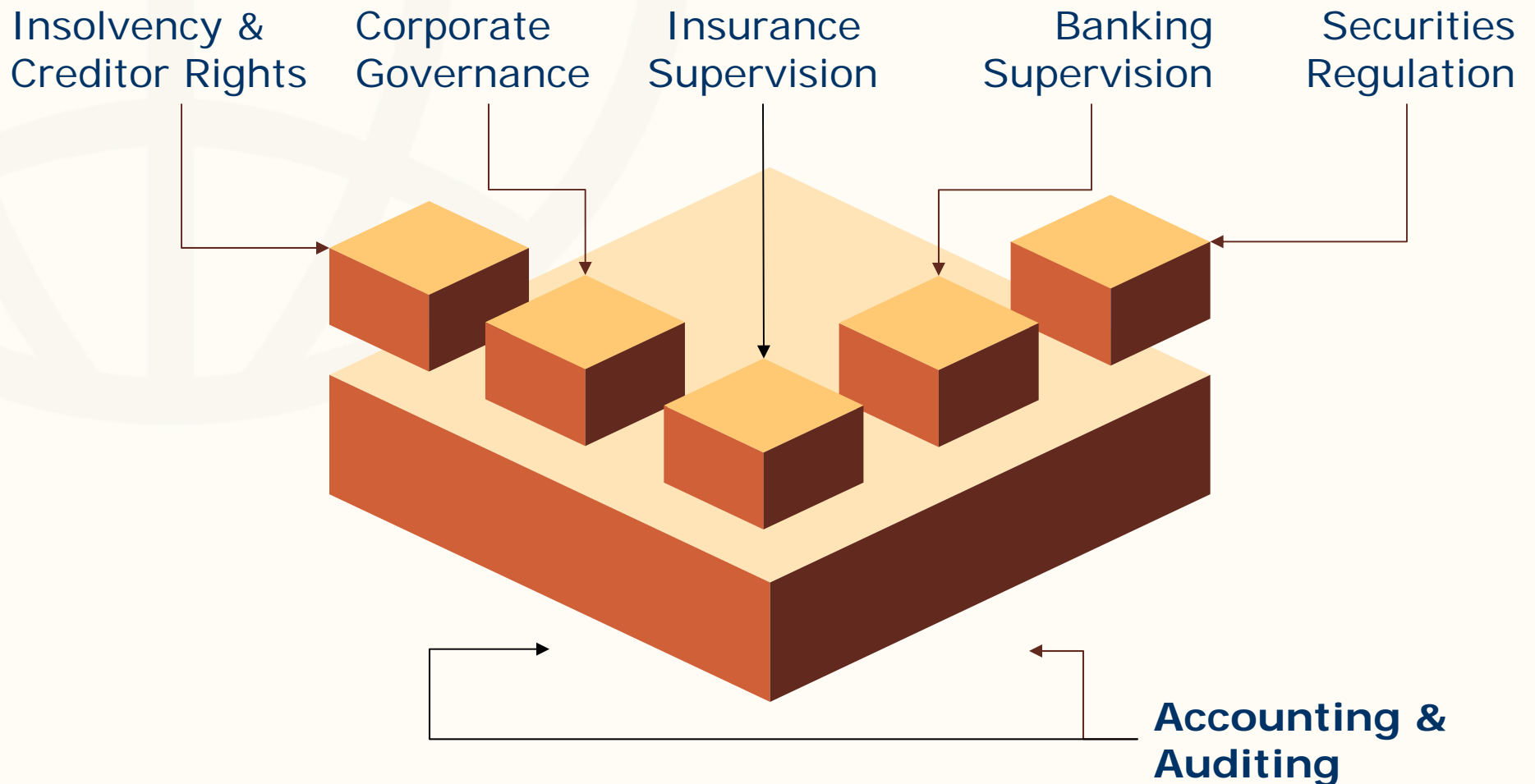
*to Enhance Corporate Financial Reporting in
Bosnia and Herzegovina*

David Nagy

*Corporate Financial Reporting Specialist
Europe and Central Asia Region*

THE WORLD BANK

ROSC Program: A fundamental pillar



A&A ROSC Benchmarks:

International Financial Reporting Standards



International Accounting Standards Board®

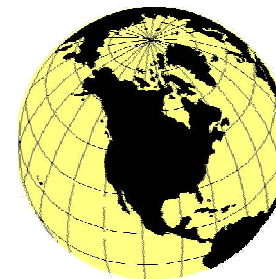
International Standards on Auditing



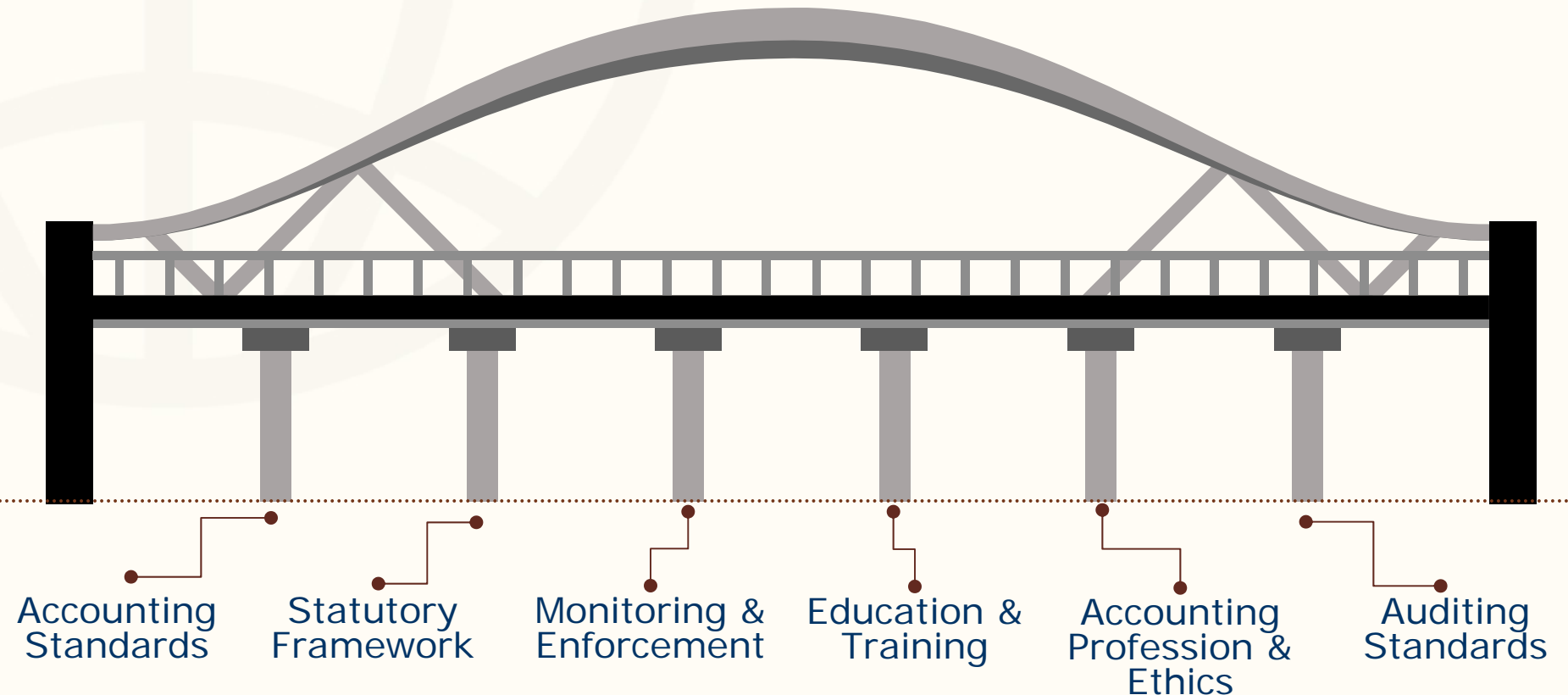
Acquis communautaire



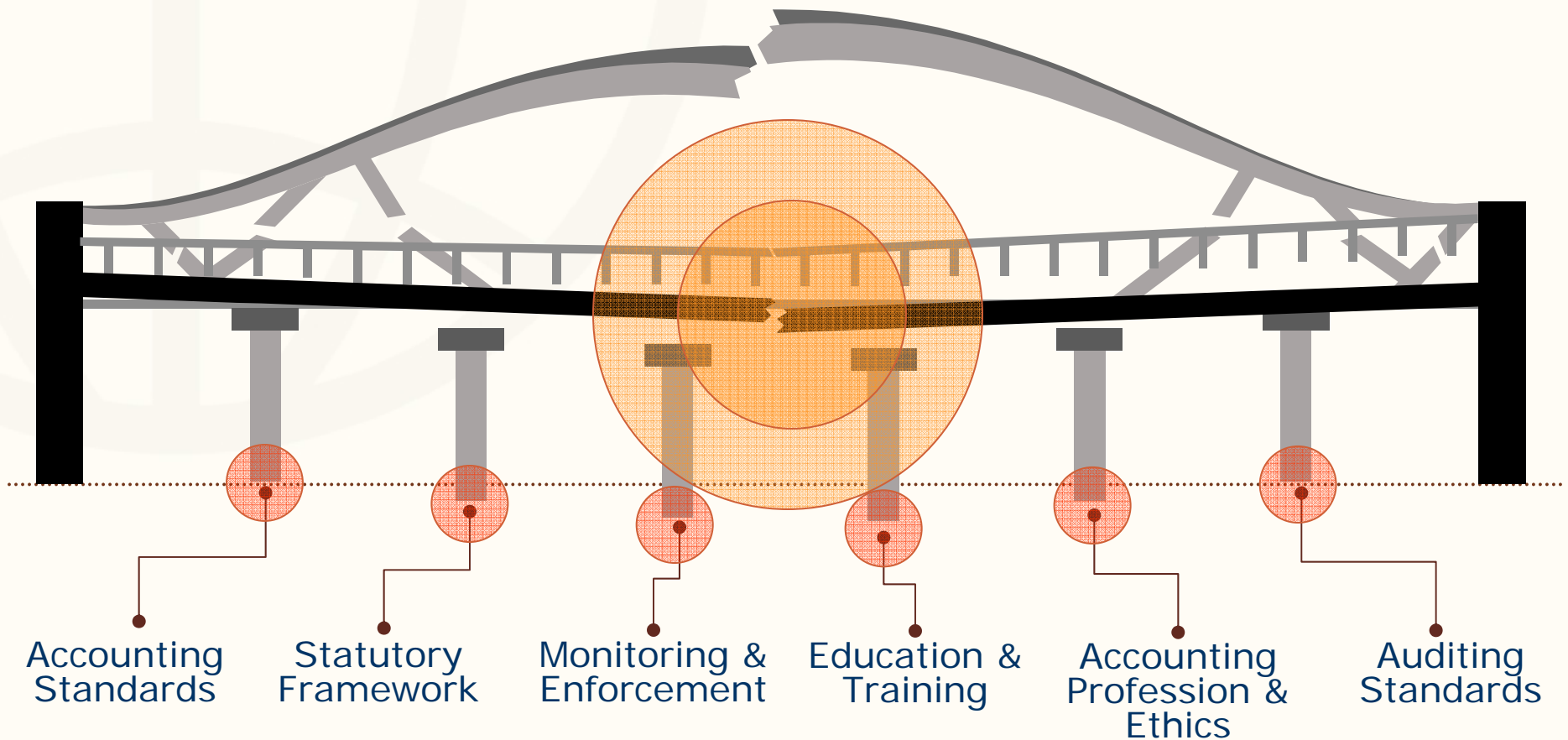
Good international practice



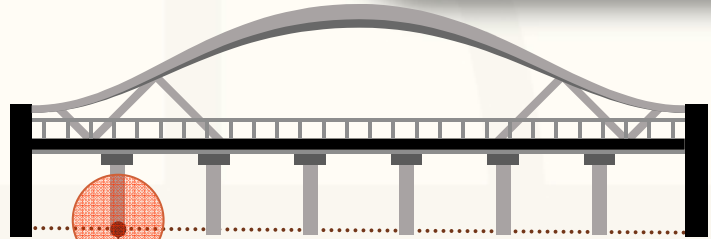
Importance of the **financial reporting infrastructure** not just standards



All pillars need to be strengthened

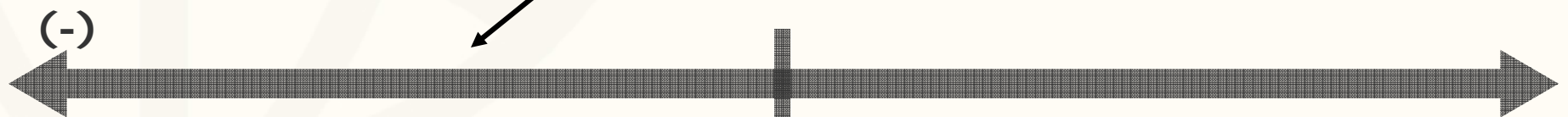


A&A ROSC Findings



Accounting Standards

FBiH and RS Accounting Standards fall short of "Full IFRS"



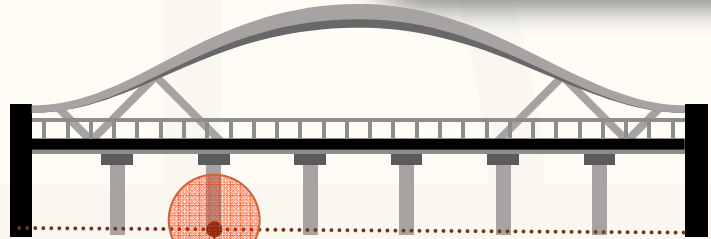
IFRS

ISA

Acquis Communautaire

Good International Practice

A&A ROSC Findings



Statutory Framework

Clear statutory framework conducive to transparent and reliable financial reporting was not established



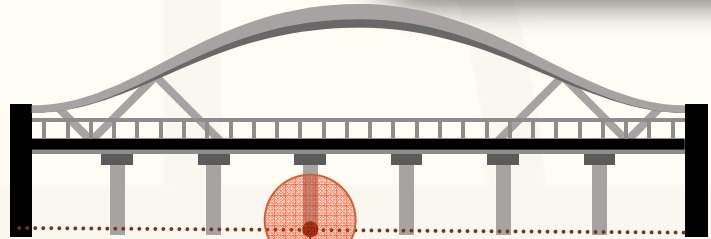
IFRS

ISA

Acquis Communautaire

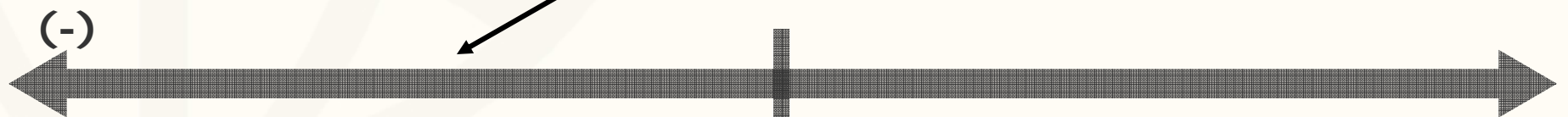
Good International Practice

A&A ROSC Findings



**Monitoring
and
Enforcement**

No effective mechanisms for enforcing financial reporting requirements



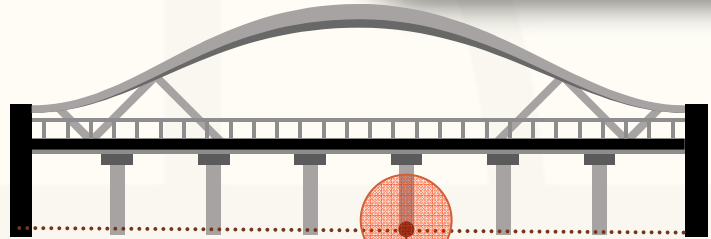
IFRS

ISA

Acquis Communautaire

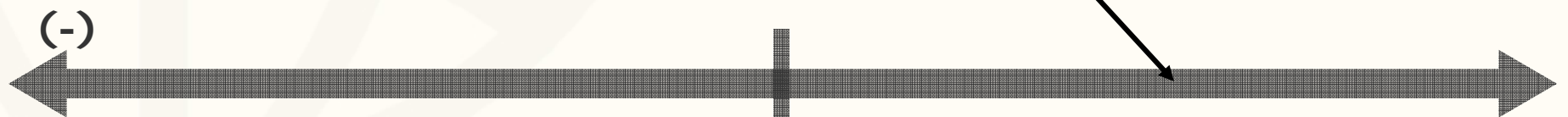
Good International Practice

A&A ROSC Findings



Education and Training

Several universities have undergone a considerable curriculum reform



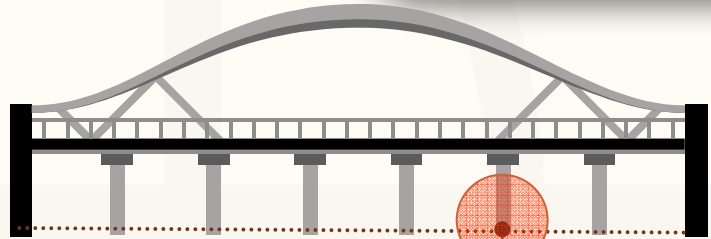
IFRS

ISA

Acquis Communautaire

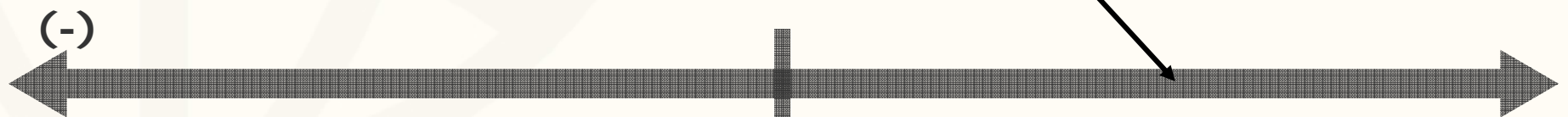
Good International Practice

A&A ROSC Findings



Accounting Profession
and Ethics

State Framework Law is a significant positive move towards a unified accounting profession



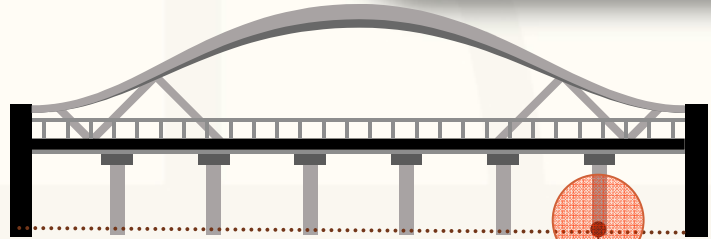
IFRS

ISA

Acquis Communautaire

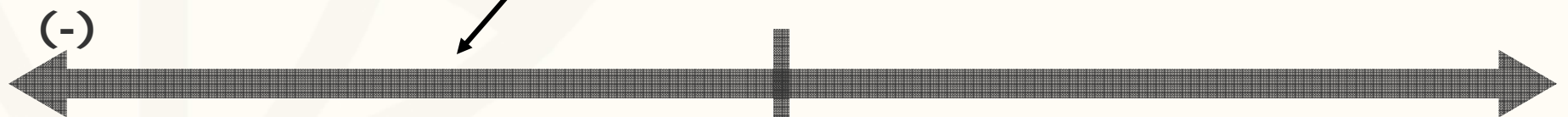
Good International Practice

A&A ROSC Findings



Auditing Standards

Differences between the translation of ISA applicable in the FBiH and the RS and current ISA



IFRS

ISA

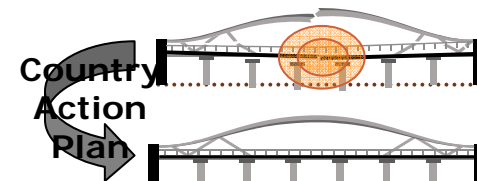
Acquis Communautaire

Good International Practice

From Diagnostic to Reform

World Bank support to BH:

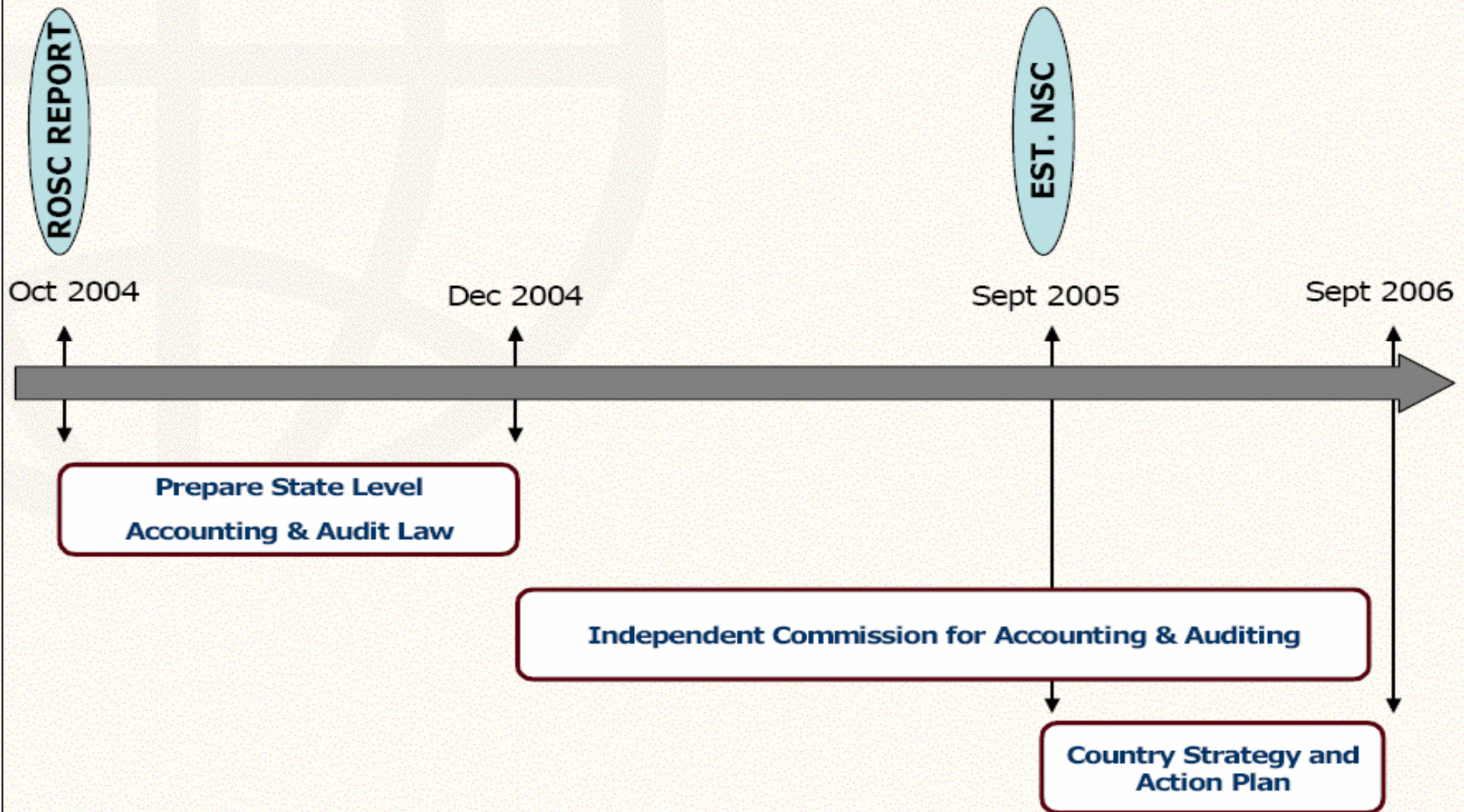
- World Bank ROSC diagnostic assessment
- TA to BH Steering Committee for post ROSC follow-up
- Mobilizing financial support from the Bank and development partners
- Managing possible MDTF
- Road to Europe – Program of Accounting Reform and Institutional Strengthening (REPARIS)



BH country owned reform:

- Steering Committee established
- Sound BH Strategy and Action Plan drafted by the Steering Committee
- BH Strategy and Action Plan approved by BH Council of Ministers
- Commitment: active participation in REPARIS ministerial conferences, face-to-face training workshops, and distance learning
- BH MoF&T: co-financing implementation of the Action Plan up to 10 % of the total planned funds

Country Owned Reform Agenda



The Statutory And Institutional Frameworks

STATUTORY FRAMEWORK

Objectives

Align Bosnia Herzegovina's statutory framework with the *acquis communautaire*

Achieving the right balance between under and over regulation

Benchmarks

EU Regulations, Directives and Recommendations Regarding Corporate Finance Reporting

Good International Practice

INSTITUTIONAL FRAMEWORK

Objectives

Develop Institutional capacity to implement the *acquis communautaire*

Develop institutionalised monitoring & enforcement mechanisms to ensure compliance

Stakeholders

State MOF

Entity MOF's

Central Bank BiH

Banking Agencies (FBiH & RS)

FBiH & RS Securities & Exchange Commission

State & Entity Insurance Supervision Agencies

Entity Tax Authorities

Entity Audit Associations (AAARS & FUAA)

Body for Oversight of Auditing

Entity MOF Registries

Commission for A&A

Chamber of Commerce & Associations

BH Action Plan:

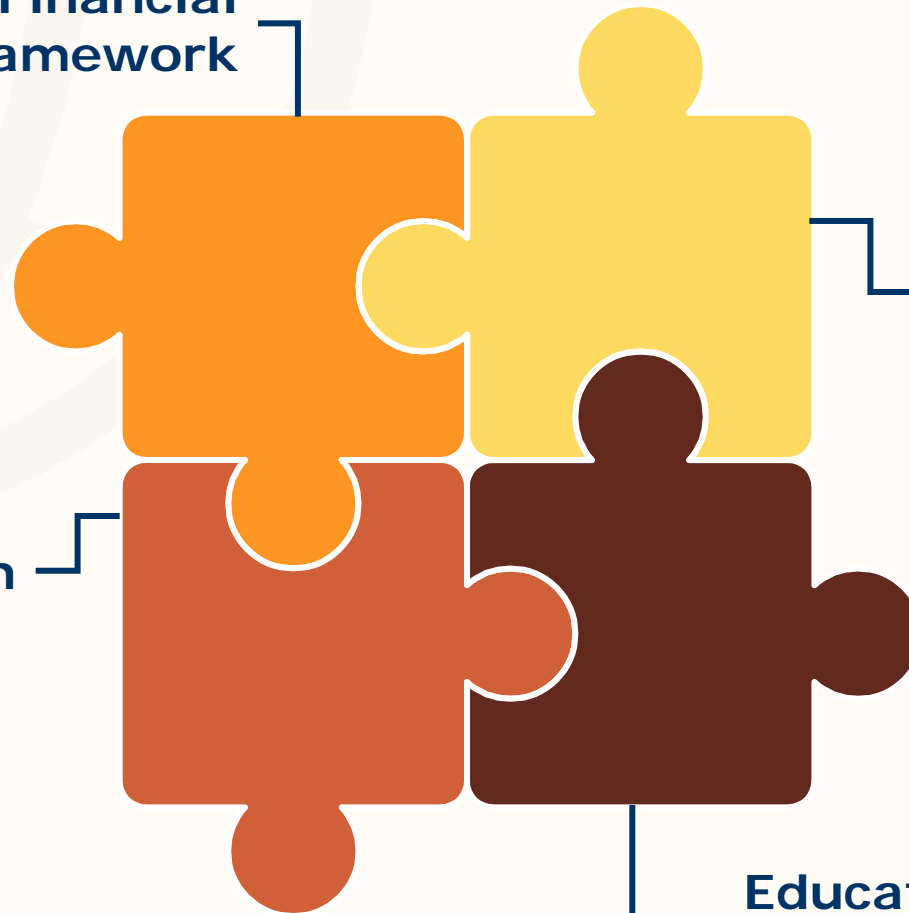
Promoting Confidence in BH Markets

Corporate Financial
Reporting Framework

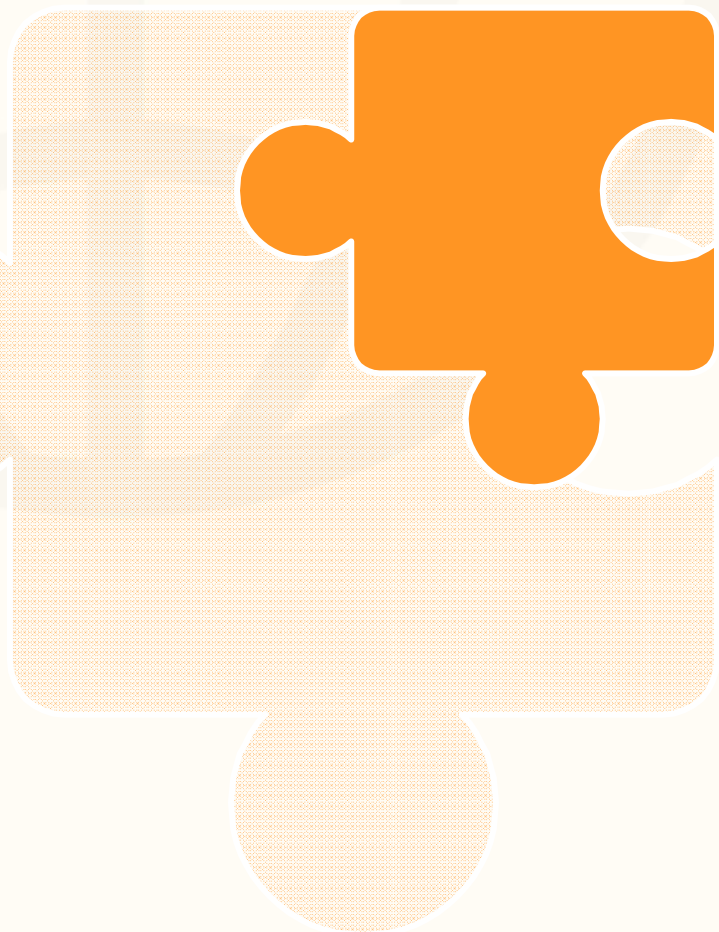
Profession

Key
Stakeholders

Education, Training,
and Public Awareness



Enhancing Corporate Financial Reporting Framework

- 
- **Alignment of Corporate Financial Reporting Framework**
 - **Implementation of the Corporate Reporting Framework**
 - **Enhancement and Support of the IFRS translation process**
 - **Enhancement and Support of the ISA translation process**
 - **Support the Dissemination of Audit Publications of the EU**

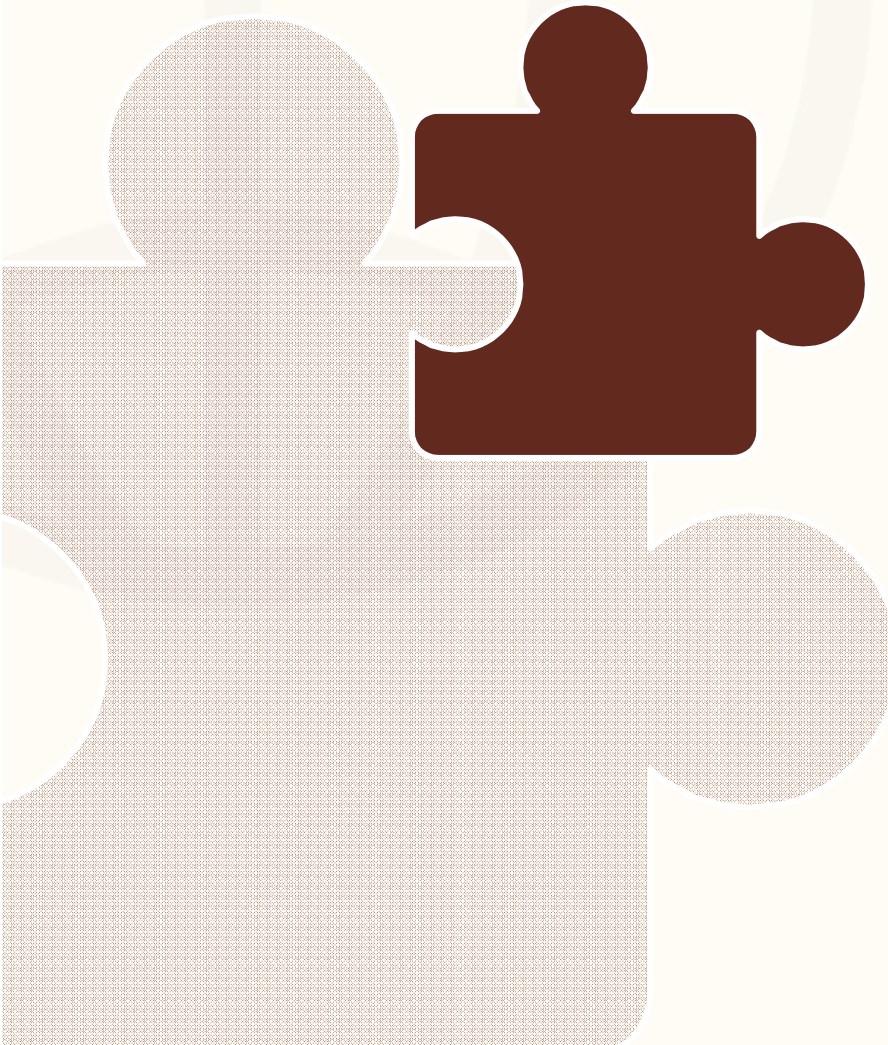
Strengthening Key Stakeholders

- 
- **Support Bank Supervision of Corporate Financial Reporting**
 - **Support Taxation Authorities**
 - **Support Insurance Supervision**
 - **Supporting Securities & Exchange Commissions**
 - **Supporting Publication & Filing of Financial Statements**

Support the Audit Profession

- 
- **Design, Establish, and Support the Oversight of the Audit Profession**
 - **Support the Auditing Professional Organizations**
 - **Enhance the Educational Program for Auditors**
 - **Enhance the Continuous Professional Educational Program for Auditors**
 - **Support External Relationships for the Auditing Profession**
 - **Etc.**

Education, Training, Public Awareness

- 
- **Support to the Third Level Accountancy Curriculum**
 - **Support Implementation of an Improved Third Level Curriculum**
 - **Training for the Judiciary**
 - **Public Awareness Program**

BH Strategy and Action Plans Costs

<i>Action</i> \ <i>Costs</i>	<i>Operational</i>	<i>Technical</i>	<i>Hardware/ Software, Equipment</i>	<i>Total Costs</i>
<i>1) Enhancing the Framework for Corporate Financial Reporting</i>	€ 250,000	€ 325,000	€ 200,000	€ 775,000
<i>2) Strengthening Key Stakeholders in the Corporate Reporting Framework</i>	-	€1,900,000	€750,000	€2,650,000
<i>3) Supporting the Audit Profession</i>	€495,000	€1,335,000	€45,000	€1,875,000
<i>4) Supporting Education, Training & Public Awareness</i>	€750,000	€600,000	-	€1,350,000
<i>Total Costs</i>	€1,495,000	€4,160,000	€995,000	€6,650,000

Strategic Objectives and Benefits

European Integration

Adopting and implementing relevant portions of the *acquis communautaire*

Improved Access to Credit

Facilitating the access of smaller-scale corporate borrowers, including small and medium enterprises, to credit from the formal financial sector by shifting gradually from collateral-based lending decisions to lending decisions that are based on the financial performance of the prospective borrower

Private Sector Growth & Job Creation

Allowing shareholders and the public at large to assess management performance, thus influencing its behaviour and use of resources

Development Markets of Capital

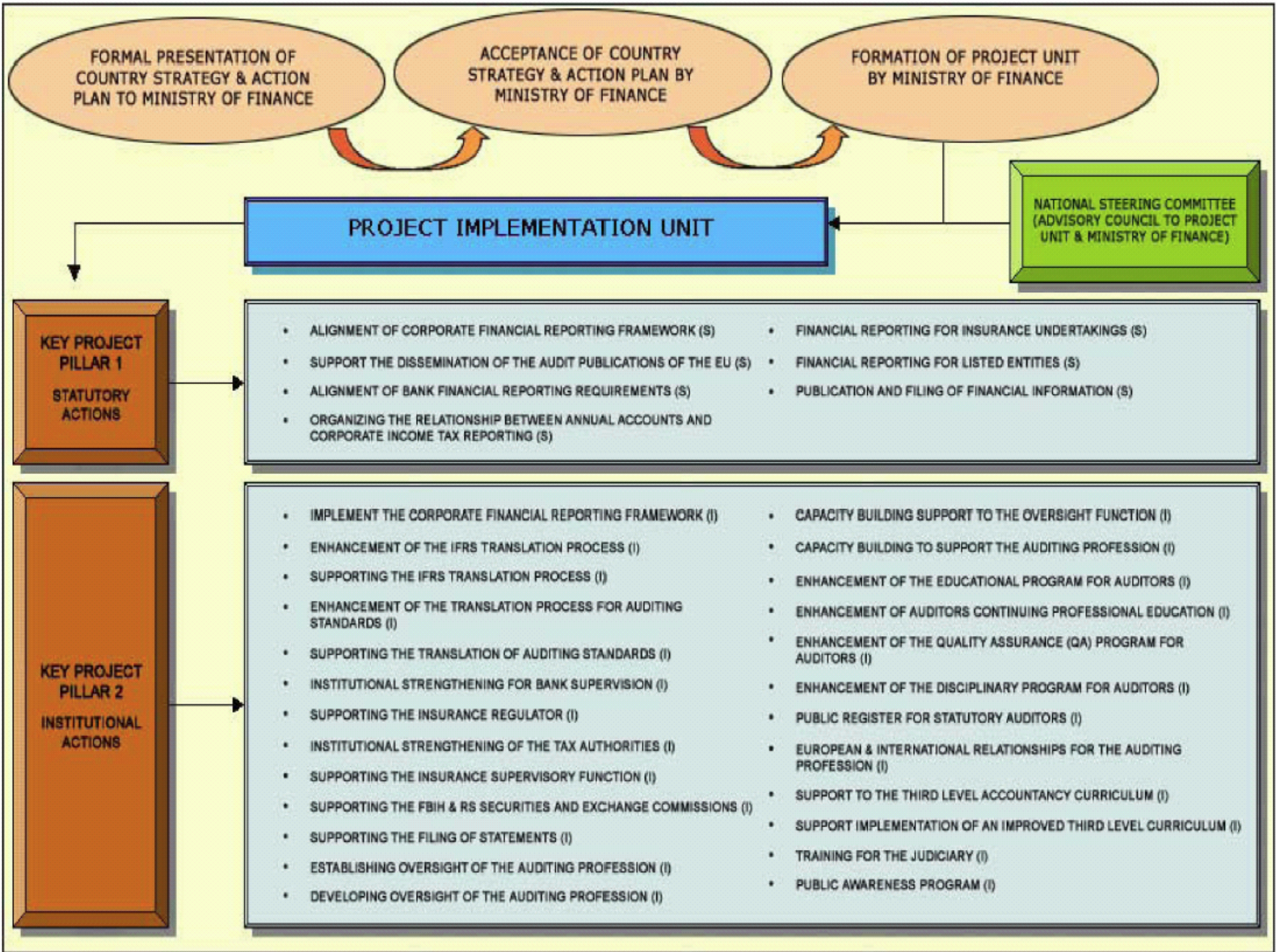
Contributing to foreign portfolio investment; allowing investors to evaluate corporate prospects and make informed investment and voting decisions, which will result in a better allocation of resources

Financial Sector Development

Help mobilize domestic savings

Financial Stability

Strengthening Bosnia Herzegovina's financial architecture and reducing the risk of financial market crises and their associated negative economic impacts, including through increased transparency about the financial condition and performance of public interest entities



Thank you for your attention!

For more information, please visit:

The Reports on the Observance of Standards and Codes (ROSCs)

www.worldbank.org/ifa/rosc.html

The Road to Europe: Program of Accounting Reform and Institutional Strengthening (REPARIS)

www.worldbank.org/reparis

The Advanced Program in Accounting and Auditing Regulation

www.worldbank.org/eca/aa