

# Donor conference on financial reporting

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THE WORLD BANK

# Three Key messages

1. Financial reporting is crucial for a market economy
2. Financial reporting is more than accounting standards
3. The World Bank is keen to support the enhancement of financial reporting in Bosnia and Herzegovina

## Relevance of financial reporting

“No transparency, no trust; no trust, no credit; no credit, no investment; no investment, no growth!

So there is a simple logic: financial reporting is an essential building block for financial intermediation, foreign investment, and sustainable economic development.”

*Martin Gruell*

*Raiffeisen International*

# Relevance of Financial reporting

**General purpose financial reporting serves your market economy:**

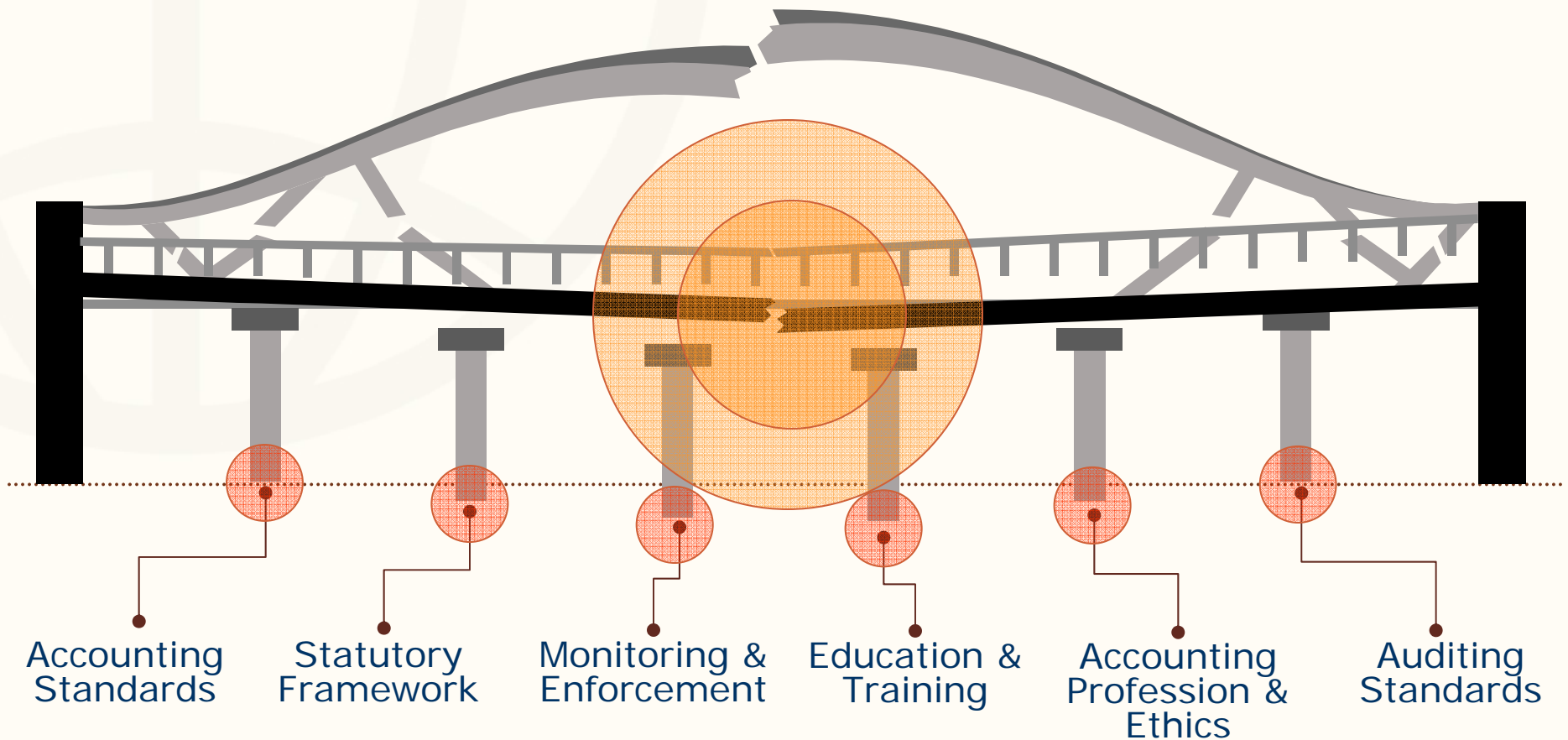
- Facilitate access to capital
- lower cost of capital
- Help to prevent financial crises
- Attract FDI
- Improve corporate governance and protection of stakeholders
- Improve financial sector supervision

# Relevance of financial reporting

## **Functions of (corporate) financial reporting:**

- Basis for company taxation
- Bank lending decisions
- Creditor protection
- Profit Distribution
- Supervisory reporting
- Investment decision making (the “true” economic value of the reporting entity)

# All supporting pillars need to **be strong**



## Common issues from A&A ROSCs

- Lack of conceptual thinking on general purpose financial reporting.
- Overshooting the *required* use of IFRS
- Consolidated accounts not always dealt with properly
- “Frictions” with supervisory reporting
- Limited accounting and audit capacity
- No continuous translation of IFRS and ISAs
- In general weak enforcement
- Weak audit function
- Poor enforcement of *publication* of full sets of financial statements

# The role of the World bank

**Diagnostic:** reviewing countries' compliance with International Standards: The A&A ROSC reports.

**Support:**

1. country actions plans on enhancing corporate financial reporting (funding and implementation)
2. GDLN program on accounting training
3. Publications (tax, translation, EU acquis)
4. Voice to international institutions on behalf of client countries

**Vienna centre on financial reporting reform**

# Donor Funding

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## **Necessary conditions:**

- Approval Action Plan by government
- Own contribution from government (10%)
- Visible support by key stakeholders
- World Bank commitment to implementation
- Setting up Implementation Unit

## **Process:**

- Donor conference + bilateral contacts, EU
- Trust Fund