

DONOR COORDINATION WORKSHOP, SARAJEVO – DECEMBER 12, 2007

Chairing the Workshop on BH Strategy and Action Plan for Enhancing Corporate Financial Reporting

Mr. Marco Mantovanelli, Country Manager for Bosnia and Herzegovina, World Bank

Governor Kozaric,

Deputy Minister Sakota,

Distinguished Guests,

Ladies and Gentlemen, Colleagues and Friends,

- I am pleased to welcome you to this Donor Coordination workshop and look forward to our fruitful discussion on the BH Strategy and Action Plan for enhancing corporate financial reporting.
- Let me first take a few steps back—to the mid to late 1990s, when the world observed major financial crises such as the ones in East Asia, Russia and Brazil, and we became aware that financial stability is a key policy concern. These crises had a direct impact on the lives of many poor people, who lost their jobs and their savings.
- What we can draw from the financial system crisis and company scandals such as Enron, Parmalat, or World Com is that good sound financial reporting makes a significant contribution to financial system stability and economic growth.
- After the crisis of the late 1990s, the G7 got together with the World Bank and the International Monetary Fund (IMF) and decided on initiatives to reduce the risk of such crises happening again. In a nutshell, the standards help to identify weaknesses that may contribute to economic and financial vulnerability, foster market efficiency and discipline, and contribute to a more robust global economy.
- The IMF and the World Bank are working jointly to assess adherence to financial sector standards as part of the Financial Sector Assessment Program—FSAP, and the Reports on the Observance of Standards and Codes—the ROSCs, which are serving as useful diagnostic tools and also as benchmarks, which countries can use to assess their progress.

- A high-quality financial reporting system, which entails accounting and auditing standards, as well as a statutory and institutional framework to implement and enforce such standards, is only a means to an end. Ultimately, the goal is to enhance the corporate financial reporting system in order to achieve stability of the financial system and increase private sector growth and job creation.
- The A&A ROSC for Bosnia and Herzegovina identified areas for improvement and included policy recommendations. The BH Steering Committee translated the ROSC into a concrete plan of action. In this context, I would like to congratulate the Steering Committee - which was led by Ranko Sakota, Deputy Minister of Finance and comprised key stakeholders, including the Central Bank - for drafting a sound Strategy and Action Plan for enhancing corporate financial reporting.
- This Action Plan is a detailed document of how Bosnia and Herzegovina intends to implement the relevant portions of the EU law, International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), and good international practice.
- The BH Strategy and Action was prepared by the BH Steering Committee, and subsequently approved by the Council of Ministers. So, here is a government approved Action Plan built on a robust World Bank diagnostic assessment.
- The clear focus of the Country Action Plan on alignment with the EU's *acquis communautaire* will support the process of EU integration in the areas of company law and financial services.
- The World Bank has been privileged to assist key stakeholders in this process.
- Financial reporting is important not only for avoiding a crisis. It is also important in a proactive sense, to promote foreign investment and domestic savings, to develop capital markets, promote development and growth, create jobs, thus reducing poverty. And this is key to our mission: the fight against poverty.

- The focus of today's Donor Coordination workshop is to present the BH Strategy and Action Plan. In this context, Central Bank Governor Kozaric and Deputy Minister of Finance and Treasury Ranko Sakota will present the Action Plan, my colleague David Nagy will explain the role of the World Bank and the BH reform process, and Erik van der Plaats will highlight the next steps of the implementation.
- In order to build on the positive momentum in Bosnia and Herzegovina, both in the Federation of Bosnia and Herzegovina and the Republika Srpska, the Bank is keen to assist the relevant authorities in securing the necessary funding for the implementation of the BH Action Plan on enhancing the corporate financial reporting.
- Ladies and Gentleman, thank you for your attention.
- To conclude, we have before us a window of opportunity - an opportunity to undertake proactive reform as a united group.