

# INTEGRATED SAFEGUARDS DATA SHEET

## IDENTIFICATION / CONCEPT STAGE

**Report No.:** ISDSC12340

**Date ISDS Prepared/Updated:** 02-Mar-2015

### I. BASIC INFORMATION

#### A. Basic Project Data

Country:	Serbia	Project ID:	P154862
Project Name:	Technical assistance for reform of financial reporting in Serbia		
Team Leader(s):	Jarett Decker		
Estimated Date of Approval:	08-Jan-2016		
Managing Unit:	GGOFR	Lending Instrument:	Lending Instrument
Sector(s):	Public administration- Financial Sector (20%), SME Finance (10%), General finance sector (70%)		
Theme(s):	Corporate governance (10%), International financial standards and systems (70%), State-owned enterprise restructuring and privatization (20%)		
Financing (in USD Million)			
Total Project Cost:	3.4	Total Bank Financing:	0
Financing Gap:	0		
Financing Source		Amount	
REPARIS - Road to Europe Program for ACC		3.4	
Environment Category:	C - Not Required		

#### B. Project Development Objective(s)

The Project's development objective is to establish and implement a sound institutional framework for corporate financial reporting, drawing on good international practices, and to build capacity for preparing, teaching, regulating, auditing and using reliable financial reporting.

#### C. Project Description

##### A. Concept

This Project will use a multi-pronged strategy to enhance formal laws and standards, knowledge, institutions, and practices in CFR in Serbia (including reporting for State-owned Enterprises). An effective approach should support adoption of formal laws, standards, and other rules governing financial reporting and auditing that are consistent with international good practices; enhance the education of future accountants and auditors and support the continual upgrading of knowledge and skills by current practitioners; develop the capacity of regulators, professional bodies, and other authorities to monitor, use, and improve the quality of financial reporting and auditing; and enhance the understanding and use of financial reporting in the broader economy and among members of the

public. This Project addresses all of these needs through its component activities.

The Swiss State Secretariat for Economic Affairs (SECO) expressed their interest in financing implementation of the Project, focusing on building sound statutory framework, strengthening institutional capacity of the parties involved, improving monitoring and use of financial information from SOEs, and enhancing the accountancy education and literacy, including raising public understanding and awareness of financial reporting. The World Bank Project team has informed all the key development partners active in the Republic of Serbia about its intention to support implementation of the Strategy with donor grant funding, thus opening a possibility for mobilization of additional grant financing for the second, follow-on phase of the Strategy.

The Project is planned to be 60% Recipient-executed and about 40% Bank-executed. In general, the Bank-executed programs are those perceived to require the closest involvement and most expertise from the CFRR.

#### 1. Description

To address the current capacity challenges (described in section I.B above) and align the Project's design with the Government's Strategy to enhance and develop financial reporting and auditing framework, the project activities will comprise five components with the following implementation arrangements:

- Component 1 [Recipient executed]: Completing and Enhancing the Accounting and Financial Reporting Framework. Through this Component, (a) analysis will be performed of Serbia's existing legislation, bylaws, rulebooks, and charts of accounts governing financial reporting, including recent changes made to the Law on Accounting, resulting in an assessment of gaps between Serbian formal laws and standards and good international practices, including the acquis, and appropriate amendments will be proposed; (b) support will be provided to develop a sustainable process for translating and adopting IFRS standards; (c) support will be provided to the Ministry of Finance to enhance its capacity to monitor and regulate corporate financial reporting; (d) a technical guide will be designed describing approaches and methodologies for conducting policymaking activities including for updating concordance tables and maintenance of relevant webpages on the Ministry of Finance website; (e) training in use and application of IFRS will be provided for financial reporting practitioners; (f) events and activities will be conducted to promote public understanding and awareness of the importance and uses of financial reporting.

The Ministry of Finance will be responsible for implantation of this component, with enhanced implementation support from the World Bank's Centre for Financial Reporting Reform (CFRR). This Component will be allocated 32% of the total funding of the Project (Euro 1,090,000).

- Component 2 [Bank executed]: Building an Effective Audit Oversight and Quality Assurance System: Through this Component, the Project will (a) support development of regulations and guidance for Serbia's Public Oversight Board for the auditing profession; (b) help develop the capacity of POB members and staff to fulfill their functions; (c) support development of regulations, methodologies, and guidance for audit quality control inspectors; (d) help develop a sustainable system for translation of International Standards on Auditing (ISAs) and provide training to practitioners in use of ISAs; (e) conduct activities and events to promote public and business understanding of the importance and use of external audits.

The Component will be implemented directly by the CFRR specialists and consultants with involvement of various stakeholders, international and local consultants and professional partners. This Component will be allocated 15% of the total funding of the Project (Euro 510,000).

- Component 3 [Recipient executed]: Improving Accounting and Auditing Curricula for University and Professional Education Programs. Through this Component, the Project will support

(a) assessment and possible improvement of the accountancy curriculum in the university sector; (b) implementation of effective professional education programs through the Chamber of Auditors and other competent professional accountancy organizations, including pre-qualification education, training, examinations, seminar, and workshops; and (c) provision of assessments, toolkits, and other support for Continuing Professional Development (CPD) programs.

The Ministry of Finance will be responsible for implantation of this component, with enhanced implementation support from the World Bank's Center for Financial Reporting Reform (CFRR). This Component will be allocated about 28% of the total funding of the Project (Euro 950,000).

- Component 4 [Bank executed]: Institutional Strengthening and Monitoring of SOEs.

Through this component, the Project will (a) assess the legal framework and practices for state monitoring of financial statements from SOEs; (b) develop a methodology and tools for reviewing the financial reports prepared by SOEs and a dashboard to input and analyze key financial performance indicators, (c) develop the capacity of Ministry of Finance staff and other authorities responsible for monitoring financial reporting from SOEs to use the methodology, dashboard, and guidelines through training courses, study visit(s) to countries with a strong track record in monitoring SOEs, and /or other appropriate capacity-building activities; (d) develop the capacity of staff from the Ministry of Finance, the Privatization Agency, and other relevant authorities to analyze and use financial information from SOEs in fulfilling their functions.

The Component will be implemented directly by the CFRR specialists and consultants with involvement of various stakeholders, international and local consultants and professional partners. This Component will be allocated 15% of the total funding of the Project (Euro 510,000).

- Component 5: Enhanced Implementation Support, Project Management, Monitoring and Evaluation [Bank executed]. This Component will include necessary incremental costs related to enhanced implementation support to the Ministry of Finance, management of the Project, including overall reform management and coordination, monitoring of the reform activities supported under the Project, as well as the Project's fiduciary activities.

This Component will be allocated 10% of the total funding for the Project (Euro 340,000).

The Project will be structured as part of the REPARIS trust fund, implemented jointly by the Bank and the Recipient. The donor grant is yet to be established and documented. SECO expressed their interest in financing the Project over the estimated time of 30 months, for approximately EURO 3.4 million.

#### **D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

#### **E. Borrower's Institutional Capacity for Safeguard Policies**

#### **F. Environmental and Social Safeguards Specialists on the Team**

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/ BP 4.01	No	

Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

### III. SAFEGUARD PREPARATION PLAN

Appraisal stage ISDS required?: No

### IV. APPROVALS

Team Leader(s):	Name: Jarett Decker	
<b><i>Approved By:</i></b>		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 09-Mar-2015
Practice Manager/ Manager:	Name: Henri Fortin (PMGR)	Date: 19-Aug-2015

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.