DATE: SEPTEMBER 17, 2007
TO: COUNCIL
FROM: IGNATIUS SEHOOL
CHAIR, DEVELOPING NATIONS COMMITTEE
SUBJECT: REPORT FROM THE DEVELOPING NATIONS COMMITTEE COUNCIL

Section 1  Report Overview

1.1  This annual report outlines the activities of the IFAC Developing Nations Committee (DNC) over the period of November 2006 and October 2007, and provides details of activities planned for the remainder of 2007.

Section 2  Meeting Updates

2.1  The first DNC meeting of 2007 was on February 5 and 6, 2007, in Manila, Philippines at the premises of the Asian Development Bank. Highlights included interaction with the ADB, CAPA and the Asean Federation of Accountants.

2.2  The second DNC meeting was on June 12 and 13, 2007, in Mexico City, Mexico in conjunction with the “Contabilidad y Responsabilidad para el Crecimiento Económico Regional” (CReCER) (English: “Accounting and Accountability for Regional Economic Growth”) (see 5.4 below).

2.3  The final meeting of 2007 will be held October 8-9, in Almaty, Kazakhstan, a region to where the DNC hopes to further extend its influence and network of contacts. Associated events with the Ministry of Finance on October 11-12 and the World Bank ROSC Dissemination on October 12 are also being planned in conjunction with this meeting.

Section 3  Significant Project Status/Updates

Good Practice Guidance – Establishing and Developing a Professional Accountancy Body (The Toolkit)

3.1  Initial Spanish and French translations were completed during 2006. The final Spanish version was distributed in March 2007 and the French version in August 2007. The Russian translation has been completed and is currently in production and was formally launched at a major Ministry of Finance event in Russia on September 12, 2007. Additional launch publicity is planned for the DNC Kazakhstan meeting and related events. Finally, the Saudi Organization for Certified Public Accountants has agreed to translate the toolkit into Arabic.

3.2  The 2007 version of the Toolkit has now been completed and includes a number of updates including two papers titled “Need for Strong Professional Bodies” (one for government briefings and one for the profession) as well as a set of appendices addressing public sector matters. The 2007 version will be available before the end of the year.
Input into Standard Setting activities

3.3 The DNC maintains a watching brief on the work programs of the various standard setting groups, including the IASB, IAASB, IPSASB, IAESB and IESBA. Input and representation of the needs of constituents on various projects continues to be provided as appropriate. Input from the DNC has been incorporated into the SPMC response on the Independence ED. Additionally, input from the DNC on the IASB SME exposure draft has been incorporated into the IFAC response.

3.4 To facilitate additional technical input, the DNC has formed a group of technical specialist volunteers from different developing regions. The DNC Technical Forum comprises three experienced persons from Sri Lanka, South Africa and Ukraine. The Technical Forum will ensure that there is an appropriate DNC response to those standards or exposure drafts that are likely to impact substantially on developing nations.

Mentoring Guidance

3.5 In accordance with the IFAC Strategic Theme 2 and in order to facilitate the process the development of new members and the development of existing members the DNC has commenced work on the development of guidance on mentoring relationships. CPA Australia has volunteered to do the initial drafting of the guide. The DNC will review a first draft at its October 2007 meeting.

Education Guidelines for Accounting Technicians

3.6 The Africa Region Learning Workshop (ARLW) in September 2006 highlighted the need for the development of a greater mass of formally trained accounting technicians for the public and private sectors, not only in Africa but throughout the developing world. The DNC is of the belief that accounting technicians ought to be regarded as an integral and necessary part of the accounting profession.

3.7 In conjunction with the IAESB, the DNC has commenced the development of guidelines for accounting technicians. The UK Association of Accounting Technicians has volunteered to develop the initial draft which will be reviewed by the DNC at its meeting in October. An editorial board will be formed with members from DNC and the IAESB to review subsequent drafts.

New Membership Applications

3.8 In accordance with the IFAC Strategic Theme 2 and in order to facilitate the process of membership applications, the DNC has now established a ‘mentoring’ system. DNC members have been assigned to individual aspiring members, to provide advice and assistance as required.

Working with the Compliance Program

3.9 To support IFAC Strategic Theme 2, the DNC continues to work with the compliance program to prepare policy recommendations and action plans for developing professional bodies. In accordance with the IFAC Strategic Theme 5, the two groups will also work together to facilitate the sourcing of external funding, as required.
Section 4  Critical Environmental Issues

4.1  A recurring theme of the Istanbul World Congress in November 2006 was that the profession has a key role to play in economic development. In turn, there is a critical need for the provision of support for the profession in developing nations. Working alongside donor agencies, national governments, contractors, and professional bodies, the DNC will provide a key facilitating role in this process. In support of the developing profession, the DNC shall increasingly look towards obtaining the practical advice and support of the more established IFAC member bodies.

Section 5  International Relations & Communications

Africa Focus Group

5.1  As agreed with the World Bank and African Development Bank (ADB) as an outcome of the ARLW an Africa Focus Group (AFG) has now been formed to drive forward the agreed actions. IFAC has obtained funding from the World Bank and the African Development Bank and is coordinating the initial activities for the AFG. Membership of the AFG currently includes ABWA, ECSAFA and FIDEF with IFAC playing a coordination and facilitation role. The AFG held its first meeting in Nairobi, Kenya on July 13, 2007 and is planning its next meeting next will be in Tunis in October 2007. The principal area of focus for the AFG is the establishment of a Pan African accountancy grouping.

Meeting With OECD – Development Assistance Committee (OECD/DAC)

5.2  The DNC made a presentation, outlining DNC objectives and areas of interest to a meeting of the OECD/DAC, in Paris on Monday December 18, 2006. The audience included representatives from national governments as well as bilateral and multilateral donor agencies who have a critical interest in financial reporting reform work in developing nations. We expect the outcome of this meeting to be better cooperation between IFAC, national governments and the donor community in the implementation of development activities for the accounting profession. We also expect there to be increased awareness of the DNC’s activities and its ability to facilitate international development work on behalf of the profession.

Benchmarking International Standards of Transparency and Accountability (BISTA)

5.3  USAID recognizes the importance of accountancy in emerging and transitioning economies and has recently provided funding to develop the profession in south east Europe. The BISTA project seeks to provide technical assistance to professional accountancy bodies through twinning arrangements with developed professional bodies and education providers. The BISTA process will also link to the IFAC Member Body Compliance Program Part 3, Action Plan objectives by ensuring that action plans prepared under BISTA for specific accountancy bodies relate to the requirements set out in the IFAC Statements of Membership Obligations.

5.4  In April 2007, through the implementation agency CARANA Corporation, the first two BISTA projects were established for the Association of Accountants and Auditors of Moldova and the Society of Certified Accountants and Auditors of Kosovo. For both projects, Royal NIVRA will provide technical support as the twinning mentor and representatives from Leiden University (Netherlands) will also participate with regards to academic education matters.
Latin America and Caribbean Regional Conference

5.5 Following on the success of the September 2006 Africa Region Learning Workshop, in June 2007 IFAC, together with the World Bank and the Inter-American Development Bank, hosted a three-day conference in Mexico City to address issues related to the Latin American and Caribbean region. Entitled Accounting and Accountability for Regional Economic Growth (or Contabilidad y Responsabilidad para el Crecimiento Económico Regional, “CReCER,” in Spanish), the conference focused on achieving quality financial reporting in the private and public sectors, the needs of the profession in the region, the role of government in accountancy and accountancy development, and the importance of sustaining good governance and ethics.

5.6 More than 450 individuals participated in the conference, including representatives of the accountancy profession, governments, the donor community, and academia from 27 Latin American and Caribbean countries as well as 16 other countries. The participants identified two interrelated issues that pose a challenge to many countries in the region: combating poverty and developing stable economies. Participants also agreed on the need for:

- Increased input from Latin American and Caribbean nations to international standard setting;
- Development of a single set of high quality Spanish translations of all international standards; and
- Greater collaboration among countries in the region and sustaining relationships with regional and international partners as a requisite for success.

Other International Activities

5.7 The IFAC President, Chief Executive and Director Quality-Assurance and Member Body Relations met with representatives of the Inter-American Development Bank on August 3, 2007 in Washington DC to explore further collaboration opportunities and discuss new ways of facilitating the development of the profession in the Latin America and Caribbean (LAC) region.

5.8 The IFAC Member Body Development staff met with World Bank and IADB staff responsible for the LAC region on August 6, 2007 in New York City to discuss specific country issues, further explore the matters noted above and to identify possible follow on activities from the CReCER conference.

5.9 The IFAC Member Body Development staff met with World Bank staff responsible for the Europe and Central Asia region on August 30, 2007 in New York City to discuss specific country issues and future areas of cooperation.

Country Level Activities

5.10 As part of the ongoing World Bank project work, the Technical Manager, DNC visited Macedonia on November 16-18, 2006. The cost of the visit was met by the relevant World Bank project. Meetings and discussions were held with the Institute of Certified Auditors of The Republic of Macedonia (ICA), who are a potential IFAC member body and the Ministry of Finance. The ICA confirmed that it has been using the DNC Toolkit as a guide to its successful development process.
5.11 Macedonia represents a good example of how co-operation between donors, contractors, beneficiaries and IFAC, can add considerable value to development work.

5.12 The Technical Manager, DNC visited Central Asia, following the DNC meeting in Manila. Working with the USAID accounting reform team, meetings were held with the local professional bodies, Ministries of Finance and other interested parties in Kazakhstan, Kyrgyzstan and Turkmenistan. The cost of the visit was met by the USAID project budget, again emphasizing the value placed by donors and their contractors on IFAC visits.

5.13 Other country specific activities are detailed in the report of the Compliance Advisory Panel.

Section 6 Operations & Other Matters

6.1 The Technical Manager, DNC resigned effective the end of March 2007. In consultation with the Chief Executive Officer and DNC Chair, a staff restructuring was agreed in April 2007. A new Assistant Technical Manager, Thomas Zimmermann, has been hired to add capacity on our country level activities (Parts 2 and 3, Executive Country Briefings, Mentoring arrangements, etc.) which will allow the existing senior staff to support the Developing Nations Committee and related activities. Additionally, beginning in August 2007, Daria Koukhar joined the team from the IAASB on a ½ time basis through 2007 with a view to moving to full time in January 2008. As a result we now have three and one-half full time professionals: Sylvia Barrett, Szymon Radziszewicz, Thomas Zimmerman and Daria Koukhar devoted to “Member Body Development” will effectively support both the CAP and DNC.

6.2 The DNC Chair, in conjunction with the Member Body Development staff, is exploring ways in which the work of the committee can be further enhanced. The DNC Chair has had some initial discussions with the IFAC President and Chief Executive Officer in this respect. Enhancements may include identifying specialist profiles for future committee appointments, adopting new committee work processes to enhance task orientation, etc. As further specifics are identified the DNC Chair will report to the Board accordingly.