

**DATE: NOVEMBER, 2006**  
**TO: IFAC COUNCIL**  
**FROM: NDUNG’U GATHINJI**  
**CHAIR, DEVELOPING NATIONS COMMITTEE**  
**SUBJECT: REPORT FROM THE DEVELOPING NATIONS COMMITTEE**

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## **Section 1 Introduction**

- 1.1 This report outlines the activities of the IFAC Developing Nations Committee (the Committee), since November 2005, and provides details of activities planned for 2007. The Committee last held a meeting on 25-26 September 2006, 2006 in Nairobi, Kenya. This meeting was held the same week as The Africa Learning Workshop. The next Committee meeting is scheduled for Manila in The Philippines on 6-7 February 2007. During 2006, the Committee also held meetings in Tunis, Tunisia on 15 -16 February and Barbados 12-13 June.
- 1.2 The Committee considers its constituency to include countries where the profession is developing, which will include, but may not be restricted to, developing countries. Constituents will also include current IFAC member bodies as well as potential member organizations and groups.

## **Section 2 Strategy and Objectives**

- 2.1 The Committee’s vision is for every country to have a recognized member body of IFAC.
- 2.2 The Committee’s mission is to support the development of the worldwide accountancy profession by working in partnership with the global profession and relevant organizations to:
- Widen participation in the standard setting activities of the IASB and IFAC, and membership of IFAC
  - Advocate the role of the profession in economic development
  - Facilitate assistance, including human resource and institutional capacity building to the developing profession
  - Promote and represent the needs of the developing profession.
- 2.3 To meet its mission, the Committee has identified the following key strategic objectives:
1. Identify the needs of existing IFAC members and potential new members and recommend ways in which IFAC and the global profession may assist to address these needs
  2. Promote participation in, and represent the needs of the developing profession to, the IFAC and IASB standard setting process
  3. Identify, develop and promote guidance materials to assist the development of the profession

4. Raise awareness of the benefits of IFAC membership throughout the professional community and actively encourage new members
  5. Assist member bodies, where the profession in developing, to achieve and maintain the obligations of membership as identified through the IFAC member body compliance program
  6. Identify resources to facilitate the development of the profession
  7. Develop and maintain relationships with key stakeholders to promote the work of the Committee and the profession's role in contributing to economic development.
- 2.4 These objectives and priorities were endorsed during the Consultative Conference held in Prague in March 2005. Key initiatives, to achieve these objectives are explained in the remainder of this report.

### **Section 3 Key Highlights 2005-2006**

#### **Africa Region Learning Workshop (The Workshop)**

- 3.1 The Workshop was held on 28 and 29 September 2006 in Nairobi, Kenya. This successful event was attended by approximately 230 delegates from 37 African countries. Funding was generously provided by the African Development Bank (ADB) and the World Bank and was primarily used to meet the cost of travel and accommodation for up to three persons representing the profession, national government and academia, from each of the 53 African nations. A cross section of African regional banking, trade and professional organizations were also sponsored.
- 3.2 The Workshop was branded as a joint ADB, World Bank, IFAC, UNCTAD, ECSAFA and FIDEF event and included a series of deliveries from eminent African and non African speakers. There were also six topic specific, interactive breakout sessions, which, as per the approved Funding Proposal, were required to produce a set of deliverable Outcomes, which will be used to direct post Workshop Activity. The Workshop also agreed a draft Terms of Reference which outlines the establishment of an African Focus Group which will co-ordinate and manage the delivery of the Outcomes going forward.
- 3.3 Feedback from both donors and delegates, indicates that the Workshop was an outstanding success in terms of its general organization, the quality of speeches delivered, usefulness of breakout sessions and also in terms of the final decisions made for purposes of managing and co-coordinating future accounting and auditing reform work on the Continent of Africa. The Workshop culminated in the signing of a 'Nairobi Declaration' by the majority of national professional bodies in attendance. This declaration states a deliberate intent on behalf of all signatories to co-operate and work together on a unified pan African basis, in order to serve the interest of financial reporting in the Continent.
- 3.4 The ADB and World Bank are keen that the IFAC Developing Nations Committee plays a key role in supporting the African Focus Group, which will include representation from themselves and the regional professional bodies. The group will initially be funded from the Workshop budget. Funding for ongoing activities will be discussed with the donors..

### **Relationship Building**

- 3.5 During 2006, the Committee released a brochure designed to articulate the role it expects to play within international accounting and auditing development work. The brochure emphasizes the ‘facilitating’ role that the Committee seeks to play in assisting and enhancing the work of donors, beneficiaries and contractors alike.
- 3.6 The Committee has developed excellent ongoing working relationships with many of the world’s other key donor agencies. Representatives of the World Bank and the African and Asian Development Banks, all attended Committee meetings during 2006. Staff also met with and discussed future co-operation with the Inter-American Development Bank and the multi-donor agency FIRST Initiative. Donors have made clear, their desire for the Committee to provide a high level of input into their accounting and auditing development activity. The Committee will also make a presentation to an OECD/DAC joint meeting of donors in Paris on either 18 or 19 December 2006. This will be an excellent opportunity for the Committee to liaise with many of the world’s other key donor agencies.
- 3.7 The Committee is working on an ongoing basis to strengthen relationships with contractors and providers of consulting services. This interest group includes specialists in development activity working within the more established IFAC member bodies. Several of our IFAC member bodies have been active within development work for many years and have well established commercial and non commercial consulting operations. In this respect, the Committee will host a meeting at the World Congress of Accountants in Istanbul on 15 November, when heads of international service from our member bodies will be brought together, to be introduced to the work of the Committee and to discuss areas of common interest. Provisional invitees have so far been very enthusiastic about the potential benefits of this meeting.
- 3.8 Staff also visited Botswana, Russia, Ukraine, Argentina and Paraguay as part of ongoing member body outreach work and support for development activity. A further visit is also planned for Macedonia in November as part of our support for the World Bank institute building activity in that country. Interested parties appear to be hugely appreciative of such visits which can add considerable value to ongoing reform work. The DNC hopes to explore whether donor funding can be made available to support such activities going forward.

### **Tool Kit – Establishing and Developing a Professional Accountancy Body**

- 3.9 The Committee has been informed that the guide has been utilized successfully by the World Bank during its ongoing accounting and audit reform work in Macedonia. The guide has effectively been used as a step-by-step checklist guide for ensuring the new professional body there develops all necessary functions required of an IFAC member body. The guide has also been effectively incorporated into the Macedonia National Steering Committee country action plan. We believe this to be a major endorsement of the Committee’s efforts.
- 3.10 Working jointly with UNCTAD, the Committee has now translated the guide into both French and Spanish, the demand for both language versions having been strong. It is expected that the two new versions will allow the guide to become an even more valuable tool in the many countries around the world which use French or Spanish as

a first language. These translations will allow the Committee to make further positive impact on the development of the profession in those countries.

- 3.11 It has been the view of the Committee that it must continue to consider the needs of the public sector in developing nations. In this respect, an addition to incorporate a public sector element to the guide has been pursued. A draft appendix has now been prepared which will provide a guide for developing bodies seeking to address public sector issues. Other additions are expected to be completed by December 31 2006.
- 3.12 The guide will be translated into Russian and Arabic in 2007.

#### **Information Database**

- 3.13 The Committee is of the opinion that in order for it to be truly proactive, it must gather as much information and intelligence on developing nations and development projects as is possible. A database of relevant Government and Ministry of Finance contact details has now been established and is being further enhanced by information gathered from the Workshop. The Committee now also maintains an ongoing record of worldwide accounting and audit development projects funded by all the major donor agencies. The Committee believes this information will be valuable for IFAC in general as well as for the Committee in particular.

#### **Input Into Standard Setting Activities**

- 3.14 The Committee keeps a watching brief of the work programs of the various standard setting groups, including the IASB, IAASB, IPSASB, IESBA and the IAESB, and provides input and represents the needs of constituents on various projects as appropriate. The Committee is watching the IASB SME Standards Project and other areas of potential input have been identified for future interest. The DNC Technical Manager holds ongoing talks with other IFAC Technical Managers in order that issues relevant to developing nations are identified as early in the project process as is possible.
- 3.15 In order to increase the Committee's ability to provide technical input from a developing nations' perspective, it has been decided to form a group of four technical specialist volunteers from four different developing nations. Experts have been sourced from the former Soviet Union (Ukraine), Africa (South Africa) and South East Asia (Sri Lanka) with one more from specialist South America being sought.
- 3.16 The Committee, together with this group of volunteers will focus on a limited number of relevant standards related issues in any year.

#### **New Membership Applications**

- 3.17 The Committee continues to provide input to the Compliance Advisory Panel in considering all new membership applications before recommendations are made to the IFAC Board as part of its strategic objective. The DNC has now established a mentoring system whereby Committee members are assigned to individual aspiring members, to provide advice and facilitate assistance where required. For example, the Committee member from Uruguay has been working closely with the Paraguay Consejo de Contadores, as part of the ongoing mentoring and outreach process. The Consejo de Contadores has expressed interest in IFAC membership and in this respect, the Committee member will provide advice and support with all aspects of the process and related obligations.

### **Working With The Compliance Program**

- 3.18 The Committee and the Compliance Program share goals and interests in developing the profession. The Committee is another source of advice and resource for the development of action plans for member bodies through the member body compliance program, and will facilitate with the implementation of these plans, as appropriate. In addition, all member body requests for assistance to meet their membership obligations are reviewed by the Committee and the Compliance Advisory Panel. The two groups continue to work together to obtain external funding, including building influence and communicating with donors.

## **Section 4 Planned Activities for 2006-2007**

### **Meetings**

- 4.1 The next meeting has been scheduled for February 6-7, Manila, Philippines. A further meeting has been scheduled for June 18-19 in Moscow Russia. These meetings will take place in those countries in order that the Committee visits two regions targeted as priority i.e. Asia and the former Soviet Union. A third meeting has been planned for September 6-7. This last meeting of the year will be held either in Sri Lanka or in The Hague, Netherlands. If held in The Hague, the intention would be for the meeting to run alongside the FEE Congress, which is due to consider the needs of new and aspiring EC member states.

### **Other**

- 4.2 Working with the Compliance Program, the Committee will continue to serve the needs of the developing profession and attempt to improve the quality of member bodies and aspiring member bodies, world wide. The committee will continue to strengthen the excellent working relationships already developed with the international donor community and will continue to provide quality advice and assistance to international development activity.

## **Section 5 - Conclusions**

- 5.1 This will be my last formal report to the IFAC Council as Chair of the Committee. Substantial progress has been made in shaping the modus operandi of the Committee from its origins as the Task Force in 2003. The Committee has been lucky in having the committed services of its Technical Director, Russell Guthrie throughout its existence and now enjoys the services of a full time manager, Neil Wallace, who took over from the initial part-time manager, Claire Egan.
- 5.2 The Committee's constituency is very diverse and extensive, and the challenge before it is immense. Already we are seeing the development of strong relationships with key development agencies who share our commitment to developing a profession which can drive economic growth. I am confident the Committee will continue its ambitious work program and play its role in protecting the public interest by building a strong profession in all regions of the world. In this, I wish my successor Ignatius Sehoole, the best of luck and the same level of support and goodwill as I enjoyed from the IFAC Board and members