

REPUBLIC OF CROATIA

MINISTRY OF FINANCE

IDF Grant for Enhancing Corporate Financial Reporting in Croatia

IDF Grant (No. TF 090642)

Consultant Services: Technical Assistance Services to provide training a group of people on specific, complex and recently endorsed International Financial Reporting Standards (IFRS)

Project ID No. IDF/03-10/CQ

Terms of Reference

A. Background

1. Croatia is currently negotiating accession to the European Union.
2. The World Bank in collaboration with the Ministry of Finance updated its assessment of the financial reporting in Croatia with the *2007 Accounting and Auditing Report on the Observance of Standards and Codes (A&A ROSC)*. The *2007 A&A ROSC* noted that progress had been made in the field of corporate financial reporting and that the remaining challenge for Croatia would be to build and strengthen suitable institutions to properly implement and enforce all *acquis* requirements related to corporate financial reporting.
3. Since Croatia has aligned its relevant legislation with the *acquis communautaire*, including, the Fourth (78/660/EEC), Seventh (83/349/EEC) and Eighth Company Law Directive (2006/43/EC) adopted on 17 May 2006, and the IAS regulation 2002/1606. The remaining work to further implement the Croatian Financial Reporting Framework as aligned with the EU *acquis communautaire* requires, *inter alia*, the development of a better understanding of the application of International Financial Reporting Standards as endorsed by the European Union (*endorsed IFRS*), which is of high importance for regulators and supervisors, including the Ministry of Finance, the Financial Reporting Standards Committee, the Croatian National Bank (HNB), the Financial Services Oversight Agency (HANFA), the Audit Public Oversight Committee, and the Croatian Chamber of Auditors.
4. The Republic of Croatia has received an *International Development Facility (IDF) Grant for Enhancing Corporate Financial Reporting in Croatia (TF 090642)* from the International Bank for Reconstruction and Development (IBRD). The proposed project under this grant is to achieve the common goal of enhancing the quality of financial reporting in Croatia.
5. The proposed project is *envisaged to include* training on advanced, complex and recently endorsed IFRS to facilitate consistent application and enforcement by relevant Croatian Institutions.
6. This assignment is for a consulting firm that will work on the tasks and responsibilities outlined below.

B. Objective, principles, process and responsibilities for the project activities

7. The overall objective of the Project is to provide understanding of the complex and recently endorsed IFRS in order to support professional development of qualitative corporate financial reporting framework in Croatia.

C. Scope of work

8. The consulting firm will assist the Government of Croatia in the following areas:
 - The consulting firm will prepare two five days training on IFRS for the developing of a better understanding of one group of participants of the use of IFRS through practical examples on specific transactions/instruments indicated as follows:
 - Business acquisitions achieved in stages (IFRS 3 Business combinations)
 - Valuation methods for intangibles in business combinations (IFRS 3 Business combinations)
 - Purchase price allocations in business combinations (IFRS 3 Business combinations)
 - Classification of leases (IAS 17)
 - Proportionate consolidation for joint ventures (IAS 31)
 - Impairment of financial assets
 - Impairment of goodwill
 - Service Concession Agreements (IFRIC 12) examples
 - Collective provisioning - incurred but not identified losses (IAS 39)
 - Accounting for legal mergers and demergers (entities under common control)
 - Hedge accounting – (IFRS 39)
 - Deliver schedules and agendas for the two (2) five day workshops to the Ministry of Finance.
 - Deliver two (2) five day workshops as defined above on IFRS focused on those IFRS already endorsed by the European Union. . The two (2) five day workshops will take place during or before October 2010.
 - During the last workshop the consultants will identify further training needs. The trainers should include internationally recognized IFRS experts, including regulators from EU member states, allowing discussions between participants to develop a better and consistent understanding of those standards. The materials designed for the workshop (explanatory notes, presentations, case-studies and any other data used in education) should be self-explanatory so they could be further used for training purposes. All presentations will be in English with the simultaneous translation to Croatian. Presentation materials should be translated in Croatian.
 - Organize an exam for each five day workshop in a form of multiple choice questionnaires. The overall results of the exam will need to be provided to the MoF as an element of success of the workshop.

D. Reporting Arrangements and timing

9. The project will be effective upon signing of the contract and will close on October 31, 2010. A preliminary work plan shall be delivered within two weeks of taking up the assignment. Any observations, comments and modifications called for by the Financial Reporting Standards Committee, the Croatian National Bank (HNB), the Financial Services Oversight Agency (HANFA), the Audit Public Oversight Committee, the Croatian Chamber of Auditors, and other appropriate counterparties should be incorporated into the plan in no more than five (5) working days.
10. During the course of the project the consulting firm shall submit the English and Croatian version of the project deliverables to the Government of Croatia and the World Bank within the following specified details:

Deliverables defined in section C	Deadlines in weeks and months after signing the contract
Inception progress report and preliminary work plan agreed	2 weeks
Schedule and agenda of workshops on IFRS	4 weeks
First workshop including full workshop materials	Before October 2010
Second workshop including full workshop materials	On or before October 15, 2010
Examination	On or before October 15, 2010
Final report including further training needs identified	End-October 2010

The Consulting firm will coordinate the work of all its consultants and report to the Project Leader.

E. Consultants Qualifications

11. The consulting firm's team should comprise consultants that have individually or collectively:
- An EU recognized (or equivalent) professional accountancy and audit qualification, a relevant advance degree, and a minimum of 10 years of relevant professional experience in the field of corporate financial reporting
 - In-depth knowledge of International Financial Reporting Standards, the relevant pronouncements of the Basel Committee on Banking Supervision, the Committee of European Banking Supervisors, the International Organization of Securities Commissions,

and of the Committee of European Securities Regulators, and other EU/international requirements governing financial reporting

- In-depth knowledge of the EU institutions and *acquis communautaire* as it relates to corporate financial reporting
- An established international reputation for professional excellence in the field covered by the assignment
- English language skills essential, knowledge of Croatian would be an advantage

F. Institutional Arrangements

12. The Ministry of Finance IDF Grant PIU will coordinate and facilitate activities of the consultants with the Financial Reporting Standards Committee, the Croatian National Bank (HNB), the Financial Services Oversight Agency (HANFA), the Audit Public Oversight Committee, the Croatian Chamber of Auditors, The Project Leader from the Croatian side would be appointed within the Ministry of Finance.
13. The Ministry of Finance will provide the venue for around for both seminars. The group will have around 30 participants.
14. All the associated costs including travel and accommodation, food and beverages offered during workshops¹ (should be limited to coffee breaks and buffet lunch on site) as well as the office costs including any interpretation, translation, preparation and printing of training materials, reports and other documents would be borne by the Consultant, and included in their financial proposal². Details of items to be reimbursed at cost would be itemized in the financial proposal

G. Confidentiality

15. Although the endorsed deliverables may or will ultimately be made public, the consultants shall not, during the term of this assignment and within two years after its expiration, disclose any proprietary or confidential information relating to deliverables, the services provided, or any other aspect of this assignment, except as explicitly permitted by the World Bank and the Croatian Ministry of Finance. The confidentiality undertakings do not apply to employees or other persons appointed by the Consultant(s) to work on this assignment. They will however be bound by the same confidentiality undertakings as the Consultant(s) towards third parties.

¹ Food and beverages costs can be estimated from 5 USD per person for the coffee break and from 20 USD per person for the buffet lunch.

² Translation costs can be estimated at 25 USD per page. Airfare travel is limited to the economy class.