

MOSAIC

Memorandum Of understanding to Strengthen Accountancy and Improve Collaboration

I. PREAMBLE

1. WHEREAS IFAC¹, representing the global accountancy profession and its related Professional Accountancy Organizations (PAOs)², and the Donor Community³ share common goals of strengthening public and private sector accountancy, improving the quality of financial management, reporting, and auditing, and establishing and cultivating sustainable PAOs to support these efforts in partner emerging and developing countries;
2. WHEREAS the Donor Community and IFAC have engaged in dialogue to develop a strategic approach to strengthen and maintain the capacity of the accountancy profession in both public and private sectors;
3. WHEREAS the development of strong financial management capacity and the ability to utilize partner country systems in the delivery of donor aid has become widely recognized as a major aspect of efficient international donor assistance through the Paris Declaration⁴ and the Accra Agenda for Action (AAA)⁵;

¹ IFAC is the global organization for the accountancy profession and is comprised of 164 PAOs in 125 jurisdictions. IFAC also maintains strategic relationships with 4 Regional Organizations and 6 Accountancy Groupings.

<http://www.ifac.org/About/RegionalAccountancyOrgs.php>

² For the purposes of this Memorandum of Understanding, "Professional Accountancy Organization (PAO)" means an organization with a core focus of accountancy, which meets the key attributes of a profession such that its members who hold a certification, license or authorization to practice are subject to: (a) education, including examination of professional competence, practical experience requirements and continuing education; (b) ethics; and (c) enforcement. Each member body determines the specific criteria for its members, in accordance with any applicable legislation or regulation. Members of professional accountancy organizations may operate at different levels of competencies and professional profiles.

³ For the purposes of this Memorandum of Understanding, "Donor Community" means each individual bilateral aid agency, multilateral organization, and development bank that is signatory to this Memorandum of Understanding.

⁴ In March 2005, partner countries and donors attending the Paris High-Level Forum issued the *Paris Declaration on Aid Effectiveness*, in which they committed their countries and institutes to continuing and increasing efforts in harmonization, alignment, and managing for results.

⁵ The Accra Agenda for Action (AAA), adopted in Accra in September 2008 by the representatives of partner countries and donors, reflects the international commitment to support the reforms needed to deepen implementation of the Paris Declaration.

4. WHEREAS it is recognized that the accountancy profession and its related PAOs play a vital and specific role in the development of competent and capable accountancy professionals with the knowledge and skills to contribute to strong financial management, the production of high quality financial information, and the audit of this information;
5. WHEREAS many aspects of the regulation of the practice of accountancy are increasingly the responsibility of bodies external to the profession (particularly: monitoring and enforcement; public oversight, education, and quality assurance for public interest entities) and thus require a high degree of cooperation and coordination between PAOs - which in most countries retain a significant role in the effective functioning of the profession - and the public bodies that regulate and oversee both them and their members;
6. WHEREAS THE Donor Community already supports, and will continue to support, a wide range of other initiatives that directly and indirectly affect the practice of accountancy;
7. WHEREAS IFAC has undertaken reforms to its governance to ensure monitoring and oversight of its public interest activities by means of increased involvement of international organizations of regulators.
8. WHEREAS the experience gained during the recent financial crisis presents a historic opportunity to improve the global financial system, and the accountancy profession stands ready to work together with the Donor Community and other concerned stakeholders to examine every part of the economic system with a view to reducing the risks that ultimately resulted in a widespread loss of public confidence in many elements of the financial sector.
9. NOW, THEREFORE, the objective of this Memorandum of Understanding (MOU) is to optimize the joint efforts of its signatories in enhancing the capacity of the accountancy profession in emerging and developing countries taking into consideration the varying levels of development and unique country contexts of partner countries. It recognizes that the Donor Community seeks assurance about the proper use of funds and may be able to place even greater reliance on country financial management systems as a result of strengthened PAOs capable of producing educated and skilled accountancy professionals able to contribute to strong financial management and production, reporting and auditing of high quality financial information.
10. Although this Memorandum of Understanding (MOU) is not legally binding, and does not itself represent a commitment to obligate funds, it sets forth the intent of the signatories to strengthen accountancy capacity in partner emerging and developing countries so that there is sustained improvement in public and private sector accountancy and financial management and reporting and there are sustainable PAOs to support this. It brings together the global accountancy profession, its related PAOs and the Donor Community in a common approach that provides:

- Strategic focus for donors and the global accountancy profession in enhancing accountancy capacity and establishing and strengthening PAOs in emerging and developing countries; and a
- Variety of mechanisms for facilitating donor funding and support in line with donor mandates, priorities and requirements.

II. PARTNERS

PAO Community

11. Operating within externally-determined legal, regulatory and institutional frameworks, PAOs help promote strong public and private sector accountancy, high quality financial management, reporting, and auditing, and enhanced transparency and accountability. Through their work in furthering adoption of international standards and best practices in accountancy; educating, certifying and ensuring the lifelong learning of accountancy professionals; promoting adherence to ethical and professional standards; and providing government and other public and private sector stakeholders with policy advice and guidance on accountancy related issues; PAOs maintain a unique and vital role in the functioning of strong public and private sector financial management and reporting. A strong PAO improves the quality of public and private sector accountancy, the skills and abilities of accountancy professionals and the resulting quality of financial management, reporting and information. Thus, strong PAOs also promote reliance on country systems and facilitate the Donor Community in its efforts to carry out its mission.
12. IFAC is an autonomous, independent, nonprofit, nonpolitical organization of 164 PAOs in 125 countries around the world, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. In addition, IFAC has formal recognition, reporting and collaboration with 4 Regional Organizations (ROs) and formal communication and cooperation with 6 Accountancy Groupings (AGs). IFAC leverages the relationships with these independent regional-level ROs and AGs to further the objectives of IFAC.
13. IFAC is dedicated to the development of high quality standards through its support of independent standard setting boards⁶. IFAC is also dedicated to support the adoption and implementation of high-quality international standards and to the establishment and strengthening of sustainable PAOs in countries throughout the world. As the recognized leader in global accountancy, IFAC promotes continuous improvement among its member PAOs. IFAC

⁶ The International Auditing and Assurance Standards Board, International Ethics Standards Board for Accountants, International Accounting Education Standards Board and International Public Sector Accounting Standards Board.

aims to promote strong financial management and the production of high quality financial information by enabling individual PAOs to:

- Produce and maintain competent and capable professionals who adhere to high technical and ethical standards in the protection of the public interest;
- Further the adoption and implementation of international standards;
- Act as a voice for the accountancy profession; and
- Provide sound public policy guidance and advice on accountancy related topics to government, regulators and other stakeholders at the individual country and regional levels.

14. To provide strategic direction to the development efforts of individual PAOs, IFAC maintains the Member Body Compliance Program. The Compliance Program is administered by IFAC Staff and the Compliance Advisory Panel and assists PAOs in the development of Action Plans that identify the current status of adoption of international standards and related best practices and document appropriate actions, responsible parties, timelines and resources for addressing adoption and implementation issues.

15. To provide guidance and assistance to PAOs as they work to implement their Action Plans and other accountancy development efforts, IFAC works through the Professional Accountancy Organization Development Committee (PAODC) which produces tools and guidance, conducts technical assistance outreach activities, raises awareness of the importance of accountancy development, and supports regional activities and events which strengthen the profession.

16. IFAC's strategic goals in the area of PAO development are to:

- **Develop the capacity of the accountancy profession** to produce high quality financial information and sound financial management systems capable of supporting good governance, transparency, financial stability, economic growth and social progress. To further this goal, IFAC works to:
 - Produce tools, guidance and conduct technical assistance to facilitate accountancy capacity development at both the national and regional levels.
 - Support the establishment and strengthening of PAOs (both existing and potential IFAC members) in all countries of the world, recognizing progress will be made in the medium to long term.

- Oversee and/or undertake targeted outreach activities to PAOs and their key stakeholders as they work to plan strategically to overcome key challenges and identify opportunities to enhance accountability.
- **Increase awareness building and knowledge sharing** regarding international standards adoption and implementation. Engender greater understanding of the important role which IFAC, ROs/AGs and PAOs play in economic and financial development. To further this goal, IFAC works to:
 - Coordinate and facilitate the sharing of relevant information and good practices among individual PAOs, ROs, and AGs as well as other public and private sector stakeholder groups.
 - Encourage and support the mentoring of PAOs in emerging and developing countries by more developed PAOs, ROs and AGs. The goal of these mentoring activities is to transfer knowledge regarding the establishment and strengthening of PAOs.
 - Support the participation of emerging and developing countries in international standard setting bodies to ensure that they are aware of and give due consideration to issues relevant to the accountancy profession in emerging and developing countries.
- **Engage and deepen development partnerships** with regional organizations, and public / private sector stakeholders so as to share resources, knowledge and experience and deliver guidance, advice and assistance in a more efficient and effective manner. To further this goal, IFAC works to:
 - Maintain ongoing liaison with ROs, AGs, governments and other stakeholders with emphasis on the contribution of strong PAOs to increased transparency, enhanced accountability, and economic growth and the importance of adequate financial and technical resources to support the accountancy profession in emerging and developing countries.

Donor Community

17. The Donor Community seeks to help further progress towards the United Nations Millennium Development Goals (UN MDGs)⁷ and the commitments made in the Paris Declaration and the AAA.

⁷ At the 2000 UN Millennium Summit, 189 heads of state and government signed the Millennium Declaration committing themselves to the Millennium Development Goals (MDGs), which include a set of time-bound targets, including halving between 1990 and 2015 the proportion of people whose income is less than one US dollar a day.

18. The UN MDGs stress that emerging and developing country governments should prepare and implement poverty reduction strategies through transparent and inclusive processes, working closely with civil society organizations, the domestic private sector, and international stakeholders.
19. The Paris Declaration includes a donor commitment to use country systems for public financial management to the maximum extent possible, including their audit systems. The AAA, endorsed at the High Level Forum meeting in September 2008, reaffirmed the Paris Declaration commitment and agreed on actions to accelerate progress, including building more effective and inclusive partnerships for development. Working to help strengthen the global accountancy profession and its related PAOs in emerging and developing countries is consistent with this agenda.
20. The Donor Community seeks to contribute in joint efforts to help achieve the UN MDGs and the targets envisioned in the Paris Declaration and AAA by enhancing the capacity of PAOs in emerging and developing countries where this will contribute to improvements in financial management, reporting, auditing, and the production of high quality financial information, as part of broader programs of legislative, regulatory and institutional reform.
21. The Donor Community supports the leadership and efforts of partner countries as they work to strengthen their systems of financial management, including the development of the accountancy profession, with a view to ensuring that public resources are properly used and that funding reaches the intended end user.

UNDERLYING PRINCIPLES

22. In order to achieve the objectives of this MOU, the global accountancy profession and its community of national-level PAOs, ROs and AGs represented by IFAC, and the Donor Community recognize the following principles underlying donor support to the accountancy profession:
 - With the support and approval of the Donor Community, IFAC and concerned national stakeholders, the PAO community will continue to develop and update strategic Action Plans as part of the IFAC Compliance Program. These individual national-level PAO Action Plans focus on key actions necessary to develop the accountancy profession and enhance the adoption and implementation of international standards and best practices.
 - The Donor Community and IFAC declares their commitment to respecting country leadership, in developing and implementing individual national-level PAO strategic

Action Plans as an integral part of overall Country Action Plans to enhance the quality of financial management and reporting in their broadest sense, which in turn are developed through cooperation between all concerned stakeholders, and typically under government leadership.

- As part of broader programs to support relevant legal, regulatory and institutional reforms, the Donor Community will endeavor to mobilize additional resources, in accordance with its respective rules, laws and procedures, to support the implementation of PAO strategic Action Plans and deliver its support in a manner consistent with the principles of this MOU.
- As part of broader programs to support relevant legal, regulatory and institutional reforms, the Donor Community will endeavor to mobilize additional resources, in accordance with its respective rules, laws and procedures, to support key activities and programs developed by IFAC, aimed at achieving its strategic goals in the area of PAO development, as it impacts on emerging and developing countries, and deliver support in a manner consistent with the principles of this MOU.
- The Donor Community declares its commitment, in accordance with its respective rules, laws, and procedures, to delivering any financial or other support for accountancy capacity building programs in a harmonized and coordinated manner, both between Donors and between related Donor-funded initiatives to avoid unintended duplicative and inconsistent capacity-building efforts.

MEMORANDUM OF UNDERSTANDING (MOU) GUIDELINES

23. It is essential that this MOU between IFAC and the Donor Community coordinates closely with ongoing accountancy development and reform initiatives. PAOs play an important role in strengthening public and private sector accountancy, providing high quality financial management and reporting, and promoting enhanced transparency and accountability. PAOs can efficiently discharge this responsibility if they have the necessary resources, tools and guidance and technical support. World Bank Reports on the Observance of Standards and Codes Accounting and Auditing (ROSC AA)⁸ assessments have consistently revealed the need for strengthening the PAOs, along with other reform and capacity-building measures in many countries.

⁸ As part of the Reports on the Observance of Standards and Codes (ROSC) initiative, the World Bank has established a program to assist its member countries in implementing international accounting and auditing standards for strengthening the financial reporting regime. The World Bank conducts reviews of accounting and auditing within the ROSC initiative at the invitation of a country. The World Bank utilizes a diagnostic tool that it developed to gather pertinent information for preparing the Accounting and Auditing ROSC.

24. Within the context of broader programs to strengthen financial management and reporting in their broadest sense, the donor support to PAOs and IFAC will be provided through a hierarchy of activities, principally at the country level and then at the regional and global levels. Most support will be concentrated at the country level, where PAOs will receive substantial support to help, in coordination with country authorities and other relevant stakeholders, to strengthen the role of the accountancy profession in supporting economic growth and improving public and private sector financial management, including by enhancing the adoption and implementation of international standards that are deemed appropriate to the country context, strengthening examination and certification schemes which produce competent and capable accountancy professionals, and designing and implementing quality assurance systems to further the production of high quality financial information for both the public and private sector. A strengthened effort will be made to improve, where relevant, the possibilities for capacity building of women accountants. Due attention will also be given to support PAOs in fragile states⁹, although the extent and nature of any support which may be provided will depend on the context. Further support will be provided to ROs and AGs to strengthen their delivery of regional learning initiatives, outreach activities to support the development of PAOs and capacity building activities – especially where these activities can be provided more cost effectively at the regional level. Some support will be provided to IFAC at the global level – to such committees as the PAODC - for specific projects. *Attachment 1* (Pg. 10) illustrates the potential types of activities that could be supported at the country, regional, and global levels.
25. There are multiple modalities for funding, and whatever funding mechanism(s) are ultimately determined in conjunction with this MOU, the objectives will be to strengthen the capacity of the PAOs in emerging and developing countries in a strategic manner. Some donor organizations may provide direct bilateral support to PAOs through funding and technical assistance. Some donor organizations may additionally or alternatively contribute to other funding mechanisms, such as a trust fund or a pooled funding arrangement, sector or general budget support. Whatever the funding arrangement, the donors will recognize the specific position of the PAOs and will value roles and responsibilities of the partner countries in this context. The funding and support mechanisms proposed in this document are, therefore supportive of the specific role of the PAOs within their broader country contexts. The proposed arrangements will support IFAC to provide guidance and support as a global membership organization. The proposals will help the Donor Community play its supportive role in recognition of the role of the PAOs.
26. Through the commitment of PAOs to IFAC membership obligations (including PAOs aspiring to IFAC membership) and to the development of their country's accountancy environment, PAOs develop and implement comprehensive, realistic Action Plans which identify the timelines,

⁹ The World Bank's current definition of fragile states (previously known as low-income countries under stress) covers low-income countries scoring 3.2 and below on the Country Policy and Institutional Assessment (CPIA), which is the primary tool used to assess the quality of country policies.

responsible parties and resources for key strategic actions. These plans should be consistent with international standards, broader ongoing accountancy and financial management reforms and best practices (e.g., The IFAC Good Practice Guide, Establishing and Developing a Professional Accountancy Organization). These Action Plans should be developed by PAOs through a collaborative process of consultation with all relevant in-country stakeholders, especially the responsible regulatory authorities and with IFAC Staff and should take into consideration the current country accountancy environment. It is also essential that the MOU be carried out in a way that facilitates overall country reform and capacity-building initiatives and PAOs supporting and contributing to the capacity building efforts of other PAOs through mentoring or twinning arrangements.

27. In support of the objectives of this MOU, a Steering Committee will be established to provide strategic guidance and counseling in its implementation, coordinate activities, and monitor the progress of such implementation. The Steering Committee will consist of representatives of IFAC and the Donor Community.
 - The Steering Committee will comprise one representative from each of the members of the Donor Community signing this MOU and proportional representation from IFAC in order to strike an appropriate balance between donor and IFAC communities represented. At a minimum there should be one representative from IFAC's PAODC. The remaining IFAC representation on the Steering Committee will reflect IFAC's interests, be influenced by regional criteria and development needs, and rotate at reasonable intervals to be determined.
 - The Steering Committee may determine whether additional representatives from other interested stakeholder groups may be included.
28. The Steering Committee, once established, will undertake to establish a Secretariat for the purpose of providing administrative support to the Steering Committee. The awarding of grants will be the sole responsibility of the Donor Community.
29. IFAC representatives will provide technical views, suggestions, and other views, but will refrain from involvement in any decisions related to funding in order to avoid any conflict of interest.
30. The Steering Committee will report at least annually publicly and to IFAC and the Donor Community on implementation of the MOU.
31. IFAC and the Donor Community will review the efficacy of the MOU after a period of five years from the date of signing.

MOSAIC - Memorandum Of understanding to Strengthen Accountancy and Improve Collaboration

Signed in Busan on November 30, 2011

International Federation of Accountants (IFAC)

Donor Representatives:

African Development Bank

Asian Development Bank

Inter-American Development Bank

World Bank

United Kingdom

United States of America

Finland

New Zealand

Sweden

GAVI Alliance

ATTACHMENT 1:
ILLUSTRATIVE EXAMPLES OF COUNTRY, REGIONAL, AND GLOBAL PAO SUPPORT

The following two programmatic illustrations provide examples of how IFAC can work with the Donor Community at the country, regional and global levels to support the development and strengthening of PAOs and target specific areas of challenge. These two examples provide potential components for funding and collaboration between IFAC and the Donor Community.

Each illustrative example includes an indicative graph to illustrate an approximation of potential donor support to PAOs under this MOU, wherein the majority of the funding would be directed to emerging and developing country PAOs and the next largest portion would go towards capacity building for PAOs through IFAC's regional structure. These programmatic examples and the relative funding support depicted at each level is subject to determination and is provided at this very preliminary point for illustrative purposes only.

EXAMPLE #1 - ENHANCING PUBLIC SECTOR PROFESSIONALIZATION PROGRAM

Presently, there is a lack of professionalization of the public sector accountancy workforce. Although many PAOs include an element of public sector membership in their organization and some include an emphasis on public sector accountancy issues, training and development; greater efforts must be placed on professionalizing the range of competencies (from accounting technician through to professional accountant) which comprise this sector.

PAOs, as pre-existing organizations with experience in the training, education, certification and life-long development of accountancy professionals may provide a sustainable solution to the professionalization of the public sector accountancy profession. With the proper resources, support and guidance, PAOs may strengthen their efforts at formally incorporating the public sector demographic into the broader accountancy profession. Potential funding elements of such a program could be targeted at the Global, Regional and National levels in the following manner:

National Level Funding:

- Assessment of the current status of public sector accountancy professionalization.
- Design and inclusion of actions to enhance the professionalization of public sector accountancy professionals in National Level PAO strategic Action Plans.
- Implementation of actions included in National Level PAO strategic Action Plans.

Regional Level Funding:

- Facilitation and assistance in conducting national level assessment of the current status of public sector professionalization and identification of key challenges. These assessments could help to identify areas of greatest need and to determine the focus of regional / global activities and events.

- Assistance to National Level PAOs as they design actions to enhance the professionalization of public sector accountancy professionals in PAO strategic Action Plans.
- Support the implementation of actions included in National Level PAO strategic Action Plans.
- Design and delivery of regional knowledge sharing events/activities to transfer lessons-learned on enhancing the professionalization of the public sector, experience in attracting and incorporating the public sector demographic, expertise in the development of training courses and specialized certification programs, experience in the identification of tools and guidance to overcome challenges to the public sector.

Global Level Funding:

- Facilitation and assistance in conducting national and regional level assessments.
- Assistance in the development of strategic Action Plan actions to address the challenges to public sector accountancy professionalization at the national level.
- Support to regional events/activities to share lessons learned at the regional level.
- Aggregation and summary of regional event/activity findings on the subject of professionalization of public sector accountancy in a global level lessons-learned publication.

Enhancing Public Sector Professionalization



EXAMPLE #2 - PAO MENTORING FACILITATION PROGRAM

Over the past few years, the value of mentoring to both beneficiaries and mentors as well its efficiency and cost effectiveness have made this form of technical assistance very attractive to both PAOs and the Donor Community. In order to support the design and delivery of successful PAO mentoring relationships as well as to encourage more PAOs to participate in this activity, a PAO Mentoring Facilitation Program could be developed to increase the number and quality of PAO mentoring relationships.

The goal of the PAO Mentoring Facilitation Program could be to provide information and assistance to PAOs as they consider and engage in mentoring activities. Potential funding components of this program could be targeted at the Global, Regional and National levels in the following manners:

National Level Funding:

- Support for PAO mentor/mentee travel and assistance. On-site visits and assistance to enhance the understanding of mentors regarding country context and allow for better communication and more effective assistance.
- Support for secondments and fellowship programs to encourage knowledge transfer and experience sharing.

Regional Level Funding:

- Support to regional events and activities to identify appropriate mentors and foster mentoring relationships.

Global Level Funding:

- Creation of an IFAC Professional Accountancy Organizations Mentoring Toolkit. This Mentoring Toolkit may provide case studies on mentoring, interviews with mentoring beneficiaries and mentors, as well as templates for developing an MOU for mentoring relationships, collaborative strategic planning and guidelines for monitoring and evaluating the progress of a mentoring relationship.
- The design and delivery of a Mentoring Forum for entities interested in mentoring, those currently involved in mentoring and those benefitting from mentoring. The goal of this forum will be to provide active knowledge sharing and lessons learned and to openly discuss the challenges and benefits to mentoring in a small group setting.

PAO Mentoring Facilitation Program

