

The Role of Accounting in Powering Economic Prosperity in Asia

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When a new set of Sustainable Development Goals were released last year, it was encouraging to see stakeholders aligned on addressing systemic and structural roots of global poverty – the need to build effective, accountable, and transparent institutions. It's a goal that government leaders of Asian nations are united behind—and was a topic addressed at the second Financial Reform for Economic Development Forum (FRED II) in Asia, held in Kuala Lumpur, Malaysia. This event was staged by the Confederation of Asian and Pacific Accountants (CAPA) and the World Bank, with aspects sponsored by the Japan International Cooperation Agency (JICA), the Chartered Institute of Public Finance & Accountancy (CIPFA) and PricewaterhouseCoopers (PwC) Malaysia.

The World Bank's twin goals are to reduce extreme poverty and to promote shared prosperity and greater equity in the developing world. In order to meaningfully address both poverty reduction and shared prosperity, strong financial management is crucial in paving the way for more accountable and transparent institutions. In addition to this, enhanced public financial management is essential to delivering sustainable and high-quality public services achieving desired outcomes, as well as minimising the incidence of fraud and corruption. Improved public sector reporting also equips citizens with more information and paints a clearer picture of a government's ability to meet its obligations. Consequently CAPA, as the organisation representing the interests of the accountancy profession in the region, was the ideal partner for this event.



*Tan Sri Dr. Mohd. Irwan Serigar Abdullah
Secretary General of Treasury, Ministry of Finance, Malaysia*

At FRED II, stakeholders came together to share their experiences in public financial management, addressing challenges and exploring opportunities. The Secretary General of Treasury of the Malaysian Ministry of Finance opened proceedings. Representatives from the organisers and sponsors then joined with representatives from a diverse range of other interested parties such as the International Federation of Accountants (IFAC), supreme audit institutions, the International Monetary Fund, the Asian Development Bank and various government officials to share experiences, build relationships and develop insights on the scalability of reform efforts.

Some of the key insights that contributed to the forum’s overall objective included the importance of partnerships and collaboration, political will and commitment from leaders, and talent management to drive future outcomes in the form of strengthened accounting, auditing, financial management and performance measurement practices in the public sector. These were subjects discussed and debated over the course of two days by leaders of the accountancy profession, heads of supreme audit institutions, senior government officials and development partners from more than 30 countries.

Fayezul Choudhury, Chief Executive Officer of IFAC, explained that the first step of getting the data right is a challenge in itself. Therefore, there is a need to examine current accounting practices and address any flaws through dialogue, which will hopefully result in better accountability and transparency. Importantly, these values should be reflected by every single person in the profession when carrying out their duties, and accountants must realise they have the responsibility for instigating change.

Brian Blood, Chief Executive of CAPA, reiterated the need for strong public financial management (PFM) and discussed the importance of professional accountancy organisations (PAOs) in engaging with the public sector to bring about change, noting “good decision-making is founded on good information”.



Left to right: Fily Sissoko, Manager, South Asia Region, Governance Global Practice, World Bank; Fayezul Choudhury, Chief Executive Officer, IFAC; Brian Blood, Chief Executive, CAPA

Public-Private Partnerships

An interesting session focused on the topic of public-private partnerships (PPPs). Syed Afsor, CEO of PPP Office of the Prime Minister, Bangladesh, opened the topic by outlining Bangladesh’s national PPP program, while driving home the message that partnerships with financial advisors is the key to creating a successful PPP. Using Japan as an example, Eiji Koga from JICA concurred by saying that in order to fill Japan’s huge gap in investment in the areas of climate change mitigation and non-energy infrastructure in Japan, collaborations between the private and public sectors are needed to cultivate an enabling environment for PPPs to accelerate national infrastructure development.

Despite the risks associated with PPPs, it was clear at the end of the panel discussion that PPP projects



The PPP panelists – left to right: Andrew Kinloch, Managing Director, Logie Group Ltd. Hong Kong; Syed Afsor H. Uddin, CEO, PPP Office of the Prime Minister, Bangladesh; Eiji Koga, Senior Advisor to Director General, Japan International Cooperation Agency; Stephen Schuster, Senior Financial Sector Specialist, Asian Development Bank

offer a wide range of benefits such as innovation, superior project management and risk alleviation, which can eventually contribute to the greater development of a country. In executing such partnerships however, it was noted that accounting expertise was crucial especially in areas relating to project finance, corporate finance, risk allocation and social economic analysis. The growth of PPPs in Asia is exciting, yet it also begs the question as to whether there are enough accountants with the necessary skills, particularly in the public sector, to ensure such programs are successful.

Talent Needed

The issue of ‘winning the war’ for talent, especially specialists, within the public sector workforce is vital in ensuring the success of PFM. This issue was examined during the launch of CAPA’s publication titled ‘*Attracting and Retaining Finance Personnel in the Public Sector*’. The publication discusses accounting human resource challenges faced by the public sector, both generally and for accountants, particularly in developing economies. This includes a generally poor perception of the work environment, a compensation gap, inflexible bureaucratic systems and slow career advancement. The World Bank’s Country Director, Pakistan, Illango Patchamuthu, echoed this challenge by calling for partnerships with educational institutions to provide quality training on financial systems and reporting.

According to a UNDP study however, there are still many reasons individuals would opt for a career in the public sector, citing an attraction to public policymaking, commitment to the public interest and civic duty, and a sense of compassion. For these reasons, creative strategies were recommended to be able to respond to the challenges raised, amongst which was initiating a multidimensional stakeholder engagement with nine stakeholders, including PAOs, at three different levels. CAPA suggests policy-shapers and influencers, advocates and front line stakeholders all have a role to play, and PAOs, if appropriately resourced, can take a central role.



The nine stakeholders identified in the ‘Attracting & Retaining Finance Personnel in the Public Sector’ publication

Managing Resources

In considering the forum’s mantra, ‘Driving Future Outcomes from Past Experience’, experts looked at case studies from countries such as New Zealand, Greece, United Kingdom and India to draw lessons and insights on public financial management systems. As an interesting aside, it was observed that resource-rich countries need to better manage their resources and sovereign wealth funds in order to achieve fiscal stability. It was agreed that good fiscal performance comes hand in hand with a coherent PFM system as well as political commitment



Panelists for the Open Forum – left to right: Brian Blood, Chief Executive, CAPA; Dato’ Mohd. Faiz Azmi, President, Malaysian Institute of Accountants and Executive Chairman, PwC Malaysia; Tan Sri Ambrin bin Buang, Auditor General of Malaysia and Chair of Asian Organisation of Supreme Audit Institutions; Ian Ball, Chair, CIPFA International; Fily Sissoko, Manager, South Asia Region, Governance Global Practice, World Bank; Roberto Tarallo, Manager, East Asia & Pacific Region, Governance Global Practice, World Bank

One must also keep in mind that the operational landscapes of countries differ, with cultural, social, and economic factors influencing the way policies are constructed. An interesting takeaway from an Indian case study is their ability to leverage technology to produce better public financial management. India's current e-system serves as a vehicle for greater transparency, more efficient and effective service delivery and reduced revenue leakages through improved tracking and monitoring systems.

Transforming Data into Solutions

Ultimately, the key takeaways from the forum centered on what good public financial management actually means at the end of the day. More than just robust technical skills, successful public financial management is the ability to transform the data and knowledge gathered into sustainable, real-life solutions that influence the economies in which we live. Real value comes from using the numbers to support policy and decision making. These can be achieved through conducting trend analyses and detecting the cause and effect relationships between data. This is especially important in a time when the environment in which our society operates is constantly changing.



The future is uncertain and is being shaped by the boom of the sharing and digital age, influencing government revenue and affecting public debt. Citizens are expecting more from their governments as well, demanding transparency and better decisions regarding expenditure and taxation. The challenges we face are varied, ranging from a lack of political will to a lack of capacity and capability. But the role of every accountant and industry professional is important in facing these matters. As put by Jackie Poirier, President of CAPA, in her closing speech, “moving forward, we must realise the power of one. Every single person in the industry has the potential to create impactful change through their individual actions.”

A copy of CAPA's publication titled '*Attracting and Retaining Finance Personnel in the Public Sector*' is available on the CAPA website at: <http://www.capa.com.my/article.cfm?id=442>

About FRED

A joint initiative of CAPA and the World Bank, FRED – the Financial Reform for Economic Development in Asia – was established in 2014. FRED I, held in Sri Lanka, explored the role of key participants in the financial reporting supply chain. FRED II, in Kuala Lumpur, focused primarily on the role of the public sector, and the need for stronger public financial management to help the region’s nations grow. FRED II was sponsored by the Japan International Cooperation Agency (JICA), Chartered Institute of Public Finance and Accountancy (CIPFA) and PricewaterhouseCoopers (PwC) Malaysia.



About CAPA

The Confederation of Asian and Pacific Accountants (CAPA)’s mission is to develop, coordinate and advance the accountancy profession in the region. It is recognised by the global accountancy profession, represented by the International Federation of Accountants (IFAC), as a regional organisation representing national professional accountancy organisations (PAOs) in Asia Pacific.

About the World Bank Group

The World Bank Group is a development finance institution that provides financial and technical assistance to developing countries around the world. Its mission centres around two main goals: Ending extreme poverty by 2030 by decreasing the percentage of people living on less than \$1.90 a day to no more than 3 percent, and promoting shared prosperity by fostering the income growth of the bottom 40 percent for every country.